

JPRS-UIA-90-002
2 FEBRUARY 1990



JPRS Report

Soviet Union

International Affairs

Soviet Union

International Affairs

JPRS-UIA-90-002

CONTENTS

2 FEBRUARY 1990

WORLDWIDE TOPICS

- Foreign Prisoners Get Special Treatment in Potma Camp
[D. Radyshevsky; MOSCOW NEWS No 49, 10-17 Dec 89] 1
- Swiss Federalism, Language Policy Examined *[B. Shabayev; VETERAN No 40, 2-8 Oct 89]* 3

SOCIALIST COMMUNITY, CEMA

- Economic Integration Termed 'Imperative of Our Time'
[M. Kozhokin; LITERATURNAYA GAZETA No 50, 13 Dec 89] 5

GENERAL ECONOMIC AFFAIRS

- Consumer Goods Imports for 1988, 1989 Reported *[ARGUMENTY I FAKTY No 1, 6-12 Jan 90]* 8
- Soviet Foreign Debt, Credit Issues Viewed
[B. Sergeyev; EKONOMICHESKAYA GAZETA No 50, Dec 89] 10
- Problems With 'Foreign Currency' Ruble Rate *[E. Gonzalyez; IZVESTIYA, 11 Dec 89]* 11
- Foreign Trade Association Director on Hard Currency Problems
[A. Apukhtin; EKONOMICHESKAYA GAZETA No 49, Dec 89] 15
- Formation of Joint Venture Trade Union Discussed
[A. Komarov; SOVETSKIYE PROFSOYUZY No 20, Oct 89] 17
- 'International Moscow Bank' Registered *[V. Sudakov; IZVESTIYA, 20 Dec 89]* 18
- Work of Foreign Trading Firm 'Armenintorg' Described *[KOMMUNIST, 16 Nov 89]* 19
- 7 Mar Decree on Foreign Economic Activity
[BYULLETEN NORMATIVNYKH AKTOV MINISTERSTV I VEDOMSTV SSSR No 9, Sep 89] 20
- Pros, Cons of Exporting Consumer Goods *[NEDELYA No 39, 25 Sep-01 Oct 89]* 23
- Development of Turkmen Foreign Trade Highlighted
[A. Annayev; SOVET TURKMENISTANY, 13 Aug 89] 26

WEST EUROPE

- Stankoimport Foreign Trade Activities, Problems Described
[V. Marinin; SOTSIALISTICHESKAYA INDUSTRIYA, 27 Dec 89] 29
- Yelabuga, Fiat Agreement Detailed *[A. Balebanov; Moscow SOVETSKAYA ROSSIYA, 13 Dec 89]* 31
- Obstacles to U.S.-Soviet Trade *[A. Kuteinikov; MOSCOW NEWS No 45, 12-19 Nov 89]* 32
- Soviet-Netherlands Agricultural Project Praised
[F. Burlatskiy; LITERATURNAYA GAZETA No 42, 18 Oct 89] 33

EAST EUROPE

- Anti-Soviet Incidents in Poland Cause Concern *[Yu. Skvortsov; TRUD, 12 Dec 89]* 35
- Hungarian Experience With Price Reform Viewed
[V. Gurevich; MOSCOW NEWS No 46, 19-26 Nov 89] 36

LATIN AMERICA

- Politicians Assess Situation in El Salvador *[E. Gorovaya; NEW TIMES No 41, 10-16 Oct 89]* 39
- Cuba, Kirghizia Sign Mining Equipment Agreement *[SOVETNIK KYRGYZSTAN, 11 Aug 89]* 43

CHINA, EAST ASIA

DPRK Unmoved by Bloc Changes, Hews to Party Line [A. Platkovskiy; KOMSOMOLSKAYA PRAVDA, 17 Dec 89]	44
Japanese Northern Territories Question Debated	45
Free Economic Zones [V. Gulii; NEW TIMES No 49, 11 Dec 89]	45
History Given [L. Valenkevich; NEW TIMES No 49, 11 Dec 89]	46
Gorbachev's Visit [A. Bogaturov; NEW TIMES No 49, 11 Dec 89]	47
Yakovlev Interviewed on Japanese Islands Issue [A. Yakovlev; NEW TIMES No 48, 4 Dec 89]	48
Japan's LDP Mortgages Tokyo Office for Campaign Funds [V. Kirillov; KRASNAYA ZVEZDA, 16 Dec 89]	50
Japanese Poachers Caught Inside 200-Mile USSR Economic Zone [V. Shirokov; KRASNAYA ZVEZDA, 10 Dec 89]	51
Access to Japanese Ex-POW Grave Sites Urged [A. Kirichenko; NEW TIMES No 41, 10-16 Oct 89]	51
Cambodia's Reform Efforts, Political Stability Examined [K. Savutkh; AGITATOR No 20, Oct 89]	52
Commentary on UN Resolution on Cambodia [Ye. Shulyukin; TRUD, 26 Nov 89]	54

NEAR EAST & SOUTH ASIA

Changes in Tunisia Compared to Soviet Democratization Efforts [G. Gerasimov; SOVETSKAYA KULTURA, 14 Nov 89]	56
Commentary on Soviet Film Documentary of Pakistan [S. Sidorov; KRASNAYA ZVEZDA, 23 Nov 89]	56
Status of AzSSR-Iran Economic Ties [T. Agaev; BAKINSKIY RABOCHIY, 4 Oct 89]	57

SUB-SAHARAN AFRICA

Shevardnadze 'Commends' RSA Stance on Namibia [E. Shevardnadze; NEW TIMES No 48, 28 Nov-4 Dec 89]	59
------------------------------------------------------------------------------------------------------	----

Foreign Prisoners Get Special Treatment in Potma Camp

18120026 Moscow MOSCOW NEWS in English
No 49, 10-17 Dec 89 p 5

[Article by Dmitry Radyshevsky]

[Text] To the left of the black wall of the night forest is broken by the white concrete wall of the "zone." Lamps. Searchlights. Towers. "Special regime," the driver explains. A minute later on the right-hand side—a wooden paling and again a row of lamps. "A women's camp." The jeep jolts on in the dark along the snow-bound forest road. "General regime... Special... Strict..." The Potma railway station is separated from the Mordovian settlement of Yavas, the seat of the administration of local "corrective-labour institutions," by 30 km and 22 "zones." The former Tsmag. The former Dubrovlag. Searchlights in the night. Former prison camps—now colonies.... "And there's yours," the driver nods at the approaching lights. We've reached our destination.

The Banal and the Unknown

Camp prose told us that, in Stalin's times, foreigners, all spies, of course, were imprisoned on all the islands of GULAG Archipelago. In the early 1960s, the USSR Supreme Soviet passed a law to the effect that convicted foreign citizens and persons without citizenship must be kept "in isolation, as a rule." Potma became the place of their confinement: 500 km from Moscow, a relatively mild climate, a strictly guarded area.

There are 98 convicts in the colony: 66 foreigners and 32 people without citizenship. In general, more crimes are committed by foreigners in this country. But, in keeping with the Berlin Convention, signed in 1978 by most socialist countries, their citizens, upon committing a crime abroad, are transferred to their native country after trial. Foreigners, as a rule, do not serve their full term of imprisonment—half way through, the Presidium of the USSR Supreme Soviet usually passes a decision on clemency.

The chief of the colony answers my question.... Repeat offenders are kept in the camp separately from those convicted for the first time.... There have never been ethnic clashes between prisoners... Most of the Europeans have been convicted for illicit drug trafficking, the Africans—for hooliganism and rape, the Koreans and Vietnamese—for theft and robbery... Spies are kept separately, but today there are none... To all appearances there are no secrets left—my interlocutor jokes. (Though our press photographer was not allowed to take pictures of ordinary wire entanglements. The secrets seem to be from our own citizens.)

None of the big spies was kept here. Francis Powers, whose plane was brought down on May 1, 1960, was kept in a Vladimir prison. Mathias Rust (although he doesn't belong to this category) was in custody in the KGB investigatory isolation ward in Moscow.

There are, as a rule, not more than one or two foreign women in confinement in the Soviet Union. They are kept in colonies together with Soviet women, but are given lighter jobs.

Crime and Punishment

The wardens deal with the convicts through professional interpreters. Most convicts master Russian rather quickly. The words "term," "article," "clemency" are understood by absolutely everyone... We enter the colony and head to the barracks for convicts—a white one-storeyed little house lit from without by elegant lamps looking odd next to the barbed wire. At the porch is a little Korean wearing a black winter cap with earflaps, a black peajacket and high boots—the prisoner uniform accepted in the Soviet Union—is shovelling snow. Inside the hostel there are doormats, geraniums, coloured towels on beds; a kitchen where inmates can cook extra food for themselves; and a friendly cat.

"The man on duty in the hostel," I was shown a blonde stout fellow. Under an unbuttoned black peajacket he wore a thick gold chain.

"I am from Norway," he says, "I was caught smuggling a kilo of marijuana in transit via Sheremetyevo. My term is three years. This is too much. In Norway you would get a maximum of six months." He has served half of his term, but has not yet been pardoned. He has a friend here, a Swede, convicted on the same charge. He pins very great hopes on the Supreme Soviet's mercy. He still has the stunned, unhappy eyes of a recruit in the first months of service.

Our conversation is overheard by a young African, a citizen of Zaire. His "case" is the same, only his marijuana weighed eight kilos. "No punishment is meted out for this in Zaire," he says. "Over there you can smoke it everywhere. No problem."

"What can we do?" the chief of the colony shrugs his shoulders. "In our country everyone is judged by the laws of the USSR. Indeed, in Norway the penalty for this is six months, but in some Moslem countries, for instance, it's capital punishment, and I don't know what's in store for the Turk who was recently deported from our country after serving his sentence for drug trafficking..."

Every three months inmates are taken to Moscow for a meeting with the consul. Via the consulate they also get parcels from relatives and subscribe to periodicals in their native language. For long-term appointments—three days—the convicts are taken to Ryazan. Twice a year they are brought to the district hospital for full medical checkups. When travelling, the prisoners wear the clothes they wore in court.

During a short roll call before the entrance to the canteen, amidst black peajackets, I notice a dark-skinned boy wearing a white scarf. We are introduced. He is from

Sri Lanka. He murdered his wife out of jealousy. He remarried in the colony: his bride came from Baku.

"Will you leave for Sri Lanka after your release?"

"Of course. Together with my wife."

"Do you think it's easier to be imprisoned in Sri Lanka?"

"I don't know... But I think that prisons there are more strict."

An old man with a dark complexion smiles from the food-distribution window. "And here is our chef." "Also a prisoner?" "A 'veteran', an Assyrian."

Ivan Shimun was really a veteran, a pickpocket who has spent 45 years in Soviet prison camps since 1943. A person without citizenship. A professional thief. Thefts. Chase. Escape. For 40 days he was making his escape across snowdrifts from the Vyatlag. After knocking out the window frame in the investigator's room, he jumped out from the first floor. Since 1979 he has been free for a mere 3.5 months. The last time, after repeating the feat of Shura Balaganov, a character from Ilf and Petrov's novel "The Little Golden Calf," he got caught for stealing a purse with seven roubles, when he himself had 800 roubles in his pocket.

"We've Escaped! Get Us!"

"Who would like to take a photograph?" All the Koreans having tea in the hostel's kitchen turn away. "They are afraid that in their native country, in the DPRK, people will learn that they were in prison," the colony chief explains, "and they will be in for big trouble..."

Only recently, as I was told by one of the Koreans, who asked not to be identified, those who had disgraced the Motherland abroad, who had "let down Big Brother," disappeared without trace upon return. So, when the time came to release them the Koreans used to rob the food kiosk, stage fistfights or simulated escapes. Some ten years ago, having dug an underground passage to find themselves between the interior barbed wire and the wall, two Koreans cried with joy: "Citizen chief, we've escaped! Get us!" They got the desired three years... Strict isolation did not help. There were cases of murder, to avoid going back home. They say that the situation has started to change. Letters are received from the released. But only those without citizenship (abbreviated PWC)—nine Koreans out of the 36 present in the zone—agreed to have their picture taken... How many PWC's are there in the country? I didn't manage to find out. How do they become a PWC? We know of one way—many Gypsies refuse to be anyone's subjects. I was told about the second way by 36-year-old I Sun Su.

He was born on Sakhalin Island. His parents were citizens of the DPRK, but he, like many of his coevals, wanted to go to South Korea. In the 1970s this was impossible. At that time, he said, there were repeated cases of unrest among the Korean youth in Sakhalin. But, having refused to accept DPRK citizenship, he

could not get Soviet citizenship either: and without it he was not called up to the army, nor accepted at the nautical school, which he'd dreamed of entering since childhood, nor to any institute which had a military chair. His movements were limited. A little town. Boredom. Hooliganism, then the first "zone." Release. No residence permit. Repeated appeals to Moscow for citizenship. The same old bad company. Prison again.

"Soon I shall be released, and I am horrified at the thought," my interlocutor says. "I'll return for a new prison term... They try to avoid giving me a job. Why do they need people like me? Russia doesn't know what to do with its own people."

Colony or Camp?

Readers may grow indignant: "For how long can we tolerate the fact that we are the world's only country where foreigners are separated from our own citizens? Foreigners live in separate 'Intourist' hotels, eat in separate restaurants, travel in separate cars. They even serve prison terms separately, and without doing what Soviet citizens have to do."

Well, they really serve their prison terms differently. Can the Assyrian's dinner at home be compared with the wish-wash that makes people sick here. The point is not at all in the cook's skill, as they tried to assure me. Indeed, the dietary norm here could well be like that accepted everywhere in the Union, only the quality of food is different—of the Intourist type. Frozen fish or bad meat are out of the question (and this despite the fact that, as an enterprise, the colony doesn't pay its way). Here, no one will be deprived of the parcels coming in via the consulate just for starting an argument with a superior. Here, you can always buy in the kiosk not only biscuits and cigarettes, but also garlic, onions and meat, with your own money. Here, the main penalty of our "places of confinement"—hunger, is not applied. Here people lose precisely their freedom, not their health.

"No privileges"—the wardens assured me. But can the empty and immaculate medical centre be compared with a reception room filled with burned out boys? Can the experience of the wife of a contrabandist waiting for an appointment with her husband in a comfortable closed "institution" in Ryazan be compared with that of the mother whose son stole a motorcycle, who speaks of him by phone through a glass wall, sobbing?

It's bitter. You feel sorry for the "common Soviet prisoner." What can we do? Not apply traditional forms of "justice"; nor imprison foreigners, as was the case under Stalin, in ordinary camps, where there's no mercy. If we common Soviet citizens were to land in jail would we like an alien hostile environment, alien morals, alien dialect? Do we want to deprive them of parcels, geraniums and normal food? No! We should try to improve things in our colonies. Not starve people, or deprive them of meetings with relatives. We should try to observe the international convention on prisoners'

rights, which many officials in corrective-labour institutions have not even heard of yet. Maybe, we should not try to lump together people of different educational and family background, ages and states of health. We should try instead to give people back a sense of dignity to somehow justify the very word "colony," because, to this day, the hungry shaven people wearing black robes with numbers on their chest, marching to work in columns, remind one much more of inmates of concentration camps. (Incidentally, I never saw a foreign prisoner, summoned to a chief, report like our men do: "Prisoner so and so arrived on your order!"). But most important we must try to treat our citizens with as much respect as we treat foreigners. We must respect the individual. Without this any law, however fair, will entail violence and brutality...

"Can't you take them out and then bring them again?" my colleague asked, after failing to photograph how prisoners entered a workshop.

"No," we were told. "They will start writing to the consulate immediately: a violation! If they were our people—fine: line them up and bring them in five times if you want."

Potma station, Mordovian ASSR

Swiss Federalism, Language Policy Examined

90UN019A Moscow VETERAN in Russian
No 40, 2-8 Oct 89 p 13

[Article by TASS correspondents B. Shabayev and V. Vykhodtsev, Geneva-Bern: "On a Consensus Basis"]

[Text] What Is It Like There?

The Soviet people resoundingly support the party's program which is aimed at the concept of filling the Soviet Federation with real content. And how do things stand with federalism in other countries, for example Switzerland?

S. Kuznetsov, Zelenograd.

Switzerland is among those countries where the inhabitants coexist peacefully while speaking four languages—German, French, Italian, and Romansch—and possessing different cultural traditions connected with the national cultures of the adjacent countries, both Catholics and Protestants. Finally, the high mountains, by making it difficult to come into contact with people, have given rise to many immediately apparent differences in the way of life and customs even among the inhabitants of different regions of the same canton, to say nothing of neighboring ones.

But the main thing is that, with all their differences and idiosyncrasies, the Swiss are one people, and Switzerland is a well-tempered, unified state. What forms the foundation of this commonality, which is the subject of national pride?

About the basic democratic institutions of Switzerland—the direct democracy, the resolution of most problems through referendums—much has already been written and said. But far less frequently is attention drawn to the democratic nature of the solution to the language problem. Every Swiss citizen is free to express himself in any of the four languages of his country, among which three—German, French, and Italian—are official languages: all government documents and decrees are published in them. The country's legislation makes no provisions for any sort of limitations or obligations on citizens with regard to language use, with just one exception: according to Article 107 of the Union Constitution, all three of the official languages must be represented in the composition of the federal court, confirmed by parliament.

The state system of Switzerland is structured as follows: the president is elected annually from among the members of the government in order of succession for a parliamentary term of one year, without the right to reelection in the following calendar year. All resolutions of the government are passed only on the basis of consensus—that is, universal agreement.

It should be kept in mind that Switzerland is a union of 26 cantons and semi-cantons, each of which has its own constitution, government, and parliament. In order better to understand the operation of the Swiss state mechanism, it is useful to take a look at the constitution of a country which is so laconic and precise that there is no room for false or variant readings.

The federation's goal, according to Article 2 of the Union Constitution, is "to secure the external independence of the fatherland, maintain peace and order within the country, preserve the freedom and rights of members of the union, and increase their common wellbeing." The following article defines the limits of sovereignty of the cantons: "Cantons are sovereign to the extent that their sovereignty is not limited by the Union Constitution, and as such they enjoy all rights which are not given over to union authority." The federation guarantees the cantons inviolability of their territory, sovereignty within the limits established by Article 3 of the Union Constitution, and the freedom and constitutional rights of their citizens. The canton constitutions must be "guaranteed"—in other words, recognized by the federation. The chief criterion for this guarantee, according to Article 6, is that the canton's constitution must not "contain anything which is contradictory to the decrees of the Union Constitution." In this demarcation of the competence of the federation and the cantons, the following principle is embodied: everything is permitted which does not harm the other members of the united federal family.

However, the cantons are forbidden to conclude "separate alliances and agreements of a political nature" among themselves, with the exception of agreements "on questions of legislation, courts, or administration." But the force of these agreements may be overruled by union

authority, if they contain "anything which opposes the union or the rights of the other cantons."

All foreign relations are the exclusive prerogative of the federal organs. In this area, the cantons possess only the right to conclude agreements with other countries concerning questions which relate to their individual competence, for example, transport and border communications, and police activity, but always under the condition that these agreements do not encroach upon the interests of the Swiss Federation and its individual members.

At the present time, a fairly well-structured system has been built up for dividing the competence of union power and of the cantons into the social-economic field and administration. Swiss jurists consider that the exclusive right of legislative activity of the federation extends to customs affairs, finances, the post office, telegraph and telephone communications, railroads, and shipping. The legislative activity of the cantons embraces spheres such as organizing the police, relief for people who are without means of support, construction of housing for indigent citizens, and religious-legal questions. There are fields where the right of making laws belongs to the union, while their practical realization and enactment is the prerogative of the cantons. These are transport, military organization, labor, civil, and criminal legislation, and social security. And, finally, questions such as taxes, railroad construction, and questions of education and upbringing can be regulated by both union and canton legislation.

The juridical reference books on the state structure of Switzerland emphasize repeatedly that under the country's present state law the sovereignty of cantons should be understood not in the literal sense of this term, but as the autonomy of union members having equal rights. It is important to note that this tendency toward more precise definition of, and a certain limitation of, the cantons' competence in favor of the federation, reflects Swiss society's deep consciousness of objective reality, namely the necessity to react appropriately to the activation of integrational processes in the world, especially in Europe, where plans now call for voluntarily turning over a part of national sovereignty to supranational organs. Furthermore, all limitation of the cantons' sovereignty, in essence, is in the form of self-limitation. The federal constitution and amendments to it are passed by all the cantons together, and are dictated by a single aspiration—to prevent any manifestations of regionalistic egotism which are dangerous to the union.

For all the harmonious nature of Swiss federalism, nevertheless not infrequently sharp questions and problems of interethnic relations arise, and various interests clash. In such cases, the mechanism of conciliation conferences goes into action, with the participation of fully-empowered representatives of the cantons and of federal authority. Such conferences finish up, as a rule, by working out a consensus. Many problems are also resolved by means of referendums.

Economic Integration Termed 'Imperative of Our Time'

90UI0220A Moscow LITERATURNAYA GAZETA
in Russian No 50, 13 Dec 89 p 15

[Article by Mikhail Kozhokin, candidate of historical sciences: "Eastern Europe: Surmounting the Crisis"; first paragraph is LITERATURNAYA GAZETA introduction]

[Text] The socialist community is experiencing a crisis. This statement is neither original nor overly courageous. What is a crisis? The harbinger of collapse or of development, of the painful birth of new features in our life. Just recently, when we spoke of the general crisis of capitalism, we were mainly implying the quick and inevitable triumph of socialism. In reality, everything turned out to be the opposite of what it seemed: Capitalism periodically undergoes structural crises, emerging from each revitalized. Why should we deny ourselves this opportunity?

Renaissance of the National Ideal

The devaluation of the earlier ideals associated firmly in the public mind with the epithet "socialist" motivated people to seek other, seemingly immutable values which were free of the oversimplifications of the class approach. Some found them in religion (postwar Poland is a vivid example of this) and others began seeking them in the history of their own national existence. The nationality, the national community as something offering people an unshakable foundation, as a universal criterion of good and evil, satisfactory and unsatisfactory, gradually became the basis of the general outlook of millions of people.

The idea of the national renaissance began to be used by official propaganda as a unifying principle to unite the people with their government and to overcome all of the many new problems facing the society. This happened in Poland when the state of martial law was announced, when the head of the military council addressed the Polish nation, appealing to the national feelings of the Poles in order to surmount the crisis. This is happening today in the GDR, where a few years ago Frederick Barbarossa—the immutable personification of the Prussian tradition in German history—returned to his place in the center of Berlin, on Unter den Linden. This is happening in Romania and Bulgaria, where various pretexts have been used to find an "internal obstacle"—a different nationality which is supposedly preventing the triumph of universal prosperity and happiness.

The renaissance of the national ideal, however, has also united people in protests against the impersonal system of government with no national characteristics which had acquired the features of an apocalyptic caricature by the 1970's. General democratic elements were organically interwoven into the fabric of the national movement, and sometimes it was difficult to tell which

features would prevail. The popular fronts of the multinational Soviet Union were the most vivid examples of these movements.

When the crisis of socialism grew broader and deeper, it had to also affect the sphere of international relations. It is present not only in the conflicts between Romania and Hungary, where barely concealed threats to use military force have already been heard, and not only in the recent tension in the GDR's relations with Poland and Hungary or in CEMA's inability to create an effective mechanism to surmount the socioeconomic crisis. The term "national interests" has become a permanent part of diplomatic terminology in the socialist countries.

It is interesting to trace the changes in foreign policy verbal clichés in relations between socialist countries. For many years the Soviet Union and then, after 1945, the so-called countries of popular democracy were accustomed to using the terms "vital interests of the workers and peasants" and "world socialist revolution." These "vital interests," of course, were best understood by the world's first nation of workers and peasants. A new idiom became popular in the middle of the 1950's: "the vital interests of socialism." The imminent world socialist revolution and dictatorship of the proletariat quietly slipped into oblivion, but the rigid and uncompromising division of the world into us and them continued. The "counterrevolutionary rebellion" in Hungary, which is now given a quite different interpretation in Hungary and is being called "a national tragedy which stopped some important new reforms," was suppressed for the sake of the "vital interests of socialism." This policy reached its height when the troops entered Czechoslovakia in 1968, and since that time it has been known as the Brezhnev doctrine or the doctrine of the "limited sovereignty" of socialist countries. At the end of the 1970's the words "supreme state interests" appeared out of nowhere and began to be declared more and more loudly. They were used to justify our venture in Afghanistan.... This was the time that Solidarity came into being and grew stronger in Poland, and soon Leonid Brezhnev made his famous remark that "we will not abandon fraternal Poland in its time of need and will not let anyone hurt it!" This was followed by the equally famous letters from the CPSU Central Committee to the Polish communists....

In our opinion, the use of all these terms indicates two fundamentally important things. First of all, the speculative theories and schematic thinking of the leaders of past years, who were raised in the tradition of the pseudo-Marxist logic of the "Short Course in the History of the All-Russian Communist Party (of Bolsheviks)," allowed them to see the world only in black and white and to think in equally simplistic terms. Second, all of these words gave the top political leaders in the socialist countries (with the dominant role played by the Soviet leaders) a unique opportunity to make any decisions whatsoever—including unprincipled and erroneous ones—under the cover of "vital" and "supreme" interests. The public remained silent, and the desperate

appeals of those who would be called the Soviet people years later, were not heard. The independent will of the leaders of the socialist countries—except, of course, in open conflicts with the Soviet Union, as in the case of Yugoslavia, Albania, and China—were paralyzed by the “historical experience of the world’s first state of workers and peasants,” to which they were supposed to submit their will.

The references to the “national interests” of individual socialist countries, which have been voiced so loudly in the second half of the 1980’s, are not a token of recognition of the latest craze or an emulation of Western political science. They are a reflection of complex, largely contradictory, and still tenuous approaches and tendencies in the planning and coordination of the foreign policy line of the socialist countries.

The socialist countries have entered a period of the development of national interests. They are at the very start of this contradictory journey, and in our opinion this is the reason for the current conflicts in their interrelations. The uniformity of the socialist camp is giving way to a community of socialist states whose foreign policy orientation depends on the national interests of each separate country. This new feature is giving rise to new problems.

State Interests and Integration

The economic model of state socialism—or the system of authoritarian commands, as it is commonly called in the Soviet press today—can secure only integration on the state level. There has been some success in this area, and it would be ridiculous to deny it, but fundamental shortcomings are also apparent: the excessive and numbing growth of bureaucratic structures of administration, the lack of incentives for primary national producers to develop integrated relationships and, as a result, the inability of state-directive integration to evolve and change, and its chronic and insurmountable failure to keep up with the requirements of life.

The disintegration of the present economic mechanism of the socialist community was inevitable. The reforms of the second half of the 1980’s in some socialist countries only accelerated this process. The restructuring of the economies of the Soviet Union, Hungary, and Poland on the basis of market relations has forced these countries to make corresponding changes in the very structure of foreign economic ties: Economic interests have become the determining factor in place of directive assignments. The society is demanding, and probably quite successfully, that the government concentrate first on satisfying the needs of its own country and reorient foreign trade for the attainment of consumer goods of higher quality. The restructuring of CEMA is lagging hopelessly far behind these processes, but we must admit that we could not have expected anything else. This international organization is far from omnipotent, especially in view of the fact that many of its members have

not even begun to master the market methods of economic management and are still caught in the clutches of the directive economic system.

Economic integration is an imperative of our time. The overall improvement in the international situation and the hope of surmounting economic difficulties with the aid of substantial credit and advanced technology are not the only things that have caused the leaders of socialist countries to pay more attention to the West. This tendency is being reinforced by the success of West European integration, which threatens to leave the East European countries outside a locked “West European fortress” after 1992. Furthermore, there are obvious disparities in the contacts of certain socialist countries with the West. In addition to the new official relationship between CEMA and the EEC, many socialist countries are expanding their own direct ties with West European states. Hungary and Czechoslovakia have concluded separate agreements with the EEC. The USSR, Hungary, Poland, and Yugoslavia are now able to participate in the work of the Council of Europe “by special invitation.” The GDR has a “special” long-term relationship with the FRG.

More and more politicians are beginning to believe that the present reforms in the socialist community are largely approved by the West and correspond to the national interests of its states. The processes of economic decentralization, the establishment of philosophical (and political, in Poland and Hungary) pluralism, and the broader contacts with capitalist countries have made the socioeconomic and political actions of socialist countries more predictable, in the West’s opinion, and have strengthened the trust in these countries among members of the ruling elite in the capitalist world.

In the West European capitals, where there is clear majority support for the reforms in the socialist countries, long-range political goals are also being pursued: The stronger interdependence of European states could mean that the division of Europe might be surmounted someday. Of course, this does not mean that the West is completely willing to take on the burden of the East European states’ economic and social problems. George Bush’s visit to Poland and Hungary confirmed this, but the first bricks are now being carefully laid in the foundation of a future united Europe. Many moves are still ambiguous and even contradictory, but there is no question that things are moving in this direction in general. As a result, the socialist states are facing a distinct dilemma: Will the socialist community be integrated into the world economic system as a single entity or will each country have to take this journey separately?

Together or Separately?

There is every reason to believe that the prevailing trend in the socialist community in the near future will be the desire of each country to find its own unique pattern of integration into the world economic system, sometimes without even considering the reactions of community

partners. The stereotype of the "hostile capitalist surroundings" and the fierce class struggle in the international arena proved to be groundless long ago. It is becoming increasingly obvious that the West's current strategy in dealing with the socialist community has many features in common with the Soviet idea of the "common European home" and with the radical economic and political reforms instituted by the leadership of many socialist countries. Most of them will be striving to satisfy their own immediate national interests in foreign policy activity, and especially in foreign economic operations, as quickly and effectively as possible.

Nevertheless, we still do not dare make this kind of prediction for the more distant future. The effects of too many factors are still uncertain. At this time they are distinct, but there is no precise indication of the possible changes in their significance in the future.

The geopolitical status of all European socialist countries is defined by the realities of the Yalta and Potsdam agreements and the postwar territorial reconstruction of Europe. Will integration processes come into conflict with the national-territorial status quo? How much more time and effort will be wasted before the national, ideological, economic, and social conflicts between the different sociopolitical systems in Europe are "erased" (to use Hegel's term)? There are still no answers to these questions.

The integration of the countries of the socialist community into the world economic system will be governed by the laws of the free market and equal opportunities for any form of enterprise. The rules of play the West has proposed are certainly fair and valid: Its economic achievements corroborate this, but.... This "but" is too real and too important to ignore. It took centuries, including years of acute economic crisis, for the Western countries to reach their present state of economic prosperity. Sooner or later—and the only question is how soon—we will have to realize that we, the countries of the socialist community, will be using much of the West's modern and contemporary experience in economic development. Of course, if we delve into history, we can also find other examples, but in the 20th century only Czechoslovakia and East Germany—and, to some extent, Hungary—have been able to keep up with the developed industrial powers at certain times. No one has ever been able to ignore historical experience, and this includes centuries of labor traditions. Are we likely to become a source of additional raw material for Western advanced technology, especially in this era of the "second" scientific and technical revolution and of ecological crisis, now that the level of national economic development no longer depends on metallurgy and

chemical production? Would it be more productive if state policy were to first encourage integration processes and gradual inclusion in world economic operations on the level of separate branches or sectors of the national economies of the socialist countries? Regrettably, this idea is also much easier to formulate on paper than to implement....

Finally, we are using almost none of our internal potential to stimulate integration processes even within the socialist community. The "socialist market" and the "partnership of CEMA members" are still empty declarations, and the steps taken to date to make them a reality have been too timid and uncertain. It is as if the internal market of the socialist community is of greater interest to our Western partners than to ourselves, burdened by the shortages in the distributive economy. But after all, someday we will also start moving in the right direction, and the normal functioning of our economy will be resumed. But when? And what will it take to start the process?

We have probably asked enough questions. The choice is clear: The East European countries will be integrated into the world—primarily European—economic system either together or separately. The second option seems preferable to the national governments today.

Of course, collective and coordinated integration into the world economy could be more productive and could be more beneficial. Our fate is in our own hands. But we cannot approach the Common Market until we have established our own common market, and we—at least many of our countries—still have virtually no national markets. Furthermore, the least developed national market might be in the Soviet Union (with the possible exception of Romania and Albania).

The Stalinist socioeconomic and state structure, which was the basis of Soviet policy in Eastern Europe for so many years, turned out to be groundless. The start of perestroika stopped the decline of the Soviet Union's prestige in the public mind in the East European countries, but our present crisis—whatever deep-seated and fundamental factors we might cite as its causes—has renewed this process. Each day and each week we have less time to turn back the tide.

In essence, only one thing is certain: An effective economy and the consistent democratization of the Soviet society will strengthen our state's influence and authority in the world much more than any kind of nuclear strength, but no one knows more than we do about the difficulties this single objective will entail. What is more, no one else will surmount them for us.

Consumer Goods Imports for 1988, 1989 Reported

904D0039A Moscow ARGUMENTY I FAKTY in Russian No 1, 6-12 Jan 90 p 4

[USSR Goskomstat Report: "USSR Consumer Goods Imports"]

[Text]

USSR Consumer Goods Imports			
Item	Jan-Sep 88	Jan-Sep 89	Jan-Sep 89 in Percentage of Jan-Sep 88
Raw Material for producing food-flavoring goods, millions of rubles	5805	6980	120
from socialist countries	3810	3788	99.4
from capitalist countries	1995	3192	160
Grain, millions of tons	25.1	29.7	118
from socialist countries	2.0	1.7	85
from capitalist countries	23.1	28.0	121
Coffee, thousands of tons	39.0	63.0	162
from socialist countries	6.1	6.2	102
from capitalist countries	32.9	56.8	173
Cocoa beans, thousands of tons	107	165	154
from capitalist countries	107	165	154
Tea, thousands of tons	76.6	99.2	130
from socialist countries	15.6	19.7	126
from capitalist countries	61.0	79.5	130
Raw sugar, millions of tons	4.0	4.8	120
from socialist countries	2.9	3.4	117
from capitalist countries	1.1	1.4	127
Food-flavoring goods, millions of rubles	2289	2712	118
from socialist countries	1692	1648	97
from capitalist countries	597	1064	178
Meat and meat products, thousands of tons	516	505	98
from socialist countries	479	382	80
from capitalist countries	37.2	123	331
Animal oil, thousands of tons	287	208	72
from socialist countries	25.2	56.1	223
from capitalist countries	262	152	58
Cheeses, thousands of tons	9.5	7.9	83
from socialist countries	8.1	7.6	94
from capitalist countries	1.4	0.3	21
Fresh and fresh-frozen fish, thousands of tons	482	420	87
from socialist countries	7.6	1.4	18
from capitalist countries	474	419	88
Fresh vegetables, thousands of tons	176	125	71
from socialist countries	164	112	68
from capitalist countries	12.1	12.6	104
Fresh fruits and berries, thousands of tons	454	433	95
from socialist countries	308	304	99.0

USSR Consumer Goods Imports (Continued)

Item	Jan-Sep 88	Jan-Sep 89	Jan-Sep 89 in Percentage of Jan-Sep 88
from capitalist countries	146	129	88
Refined sugar, thousands of tons	99.2	227	229
from socialist countries	28.3	25.4	90
from capitalist countries	70.9	202	285
Vegetable oil, thousands of tons	291	190	271
from socialist countries	20.4	13.0	64
from capitalist countries	271	777	287
Manufactured consumer goods, millions of rubles	6052	6947	115
from socialist countries	5052	5246	104
from capitalist countries	1000	1701	170
Sewing goods, millions of rubles	1095	1275	116
from socialist countries	898	1026	114
from capitalist countries	197	249	126
Knitted outer and under garments, millions of rubles	523	583	111
from socialist countries	377	385	102
from capitalist countries	146	198	136
Hosiery, millions of rubles	79.9	80.8	101
from socialist countries	70.0	69.8	99.7
from capitalist countries	9.9	11.0	111
Leather footwear, millions of pairs	51.0	50.6	99.2
from socialist countries	44.3	41.3	93
from capitalist countries	6.7	9.3	139
Furniture, millions of rubles	445	423	95
from socialist countries	436	416	95
from capitalist countries	8.8	7.2	82
Medicines, millions of rubles	1033	1154	112
from socialist countries	963	1064	110
from capitalist countries	70.3	89.9	128
Soap, thousands of tons	5.1	100.1	19.6-fold
from socialist countries	5.1	5.5	108
from capitalist countries	-	94.6	-
Detergents, thousands of tons	36.9	212	575
from socialist countries	36.5	54.4	149
from capitalist countries	0.4	158	-
Perfumes and cosmetics, millions of rubles	363	408	112
from socialist countries	238	234	98
from capitalist countries	125	174	139
Sewing machines, thousands	82.7	91.5	111
from socialist countries	70.0	57.9	83
from capitalist countries	12.7	33.6	265

Soviet Foreign Debt, Credit Issues Viewed

90U10222A Moscow *EKONOMICHESKAYA GAZETA*
in Russian No 50, Dec 89 p 21

[Article by B. Sergeyev, candidate of economic sciences:
"Our Debts in Light of Glasnost"]

[Text] The total foreign debt of the USSR was first officially announced at the First Congress of People's Deputies as the sum of 34 billion rubles. A month later Minister of Finance V. Pavlov reported that the debt was equivalent to around 28 billion rubles in freely convertible currency. After another month First Deputy Chairman N. Belov of the USSR State Committee for Statistics granted an interview in which he estimated the debt at 32 billion rubles in freely convertible currency. And how much does it take to service the debt—i.e., how much are we paying on the principal and interest? The amount announced at the First Congress of People's Deputies was 12 billion rubles in foreign currency. No, the amount is 5.3 billion, Minister V. Pavlov said in September in his report on the draft budget for 1990.

This lack of agreement has shocked serious economists in the USSR and abroad. In fact, it has even led to some far-reaching and unflattering conclusions. "After this kind of information, can Russia be trusted?" asked the English business community's magazine, *THE ECONOMIST*. "This is a mess, not glasnost," said the director of Plan Econ, an American research firm.

The eruption of glasnost with this degree of dispersion after years of secrecy in the monetary sphere, regardless of its impact abroad, is depriving us of the opportunity to calculate our exact payment status and to plan more realistic economic policy goals.

How much do we owe? How much are we paying on the debt? If it is the 12 billion rubles in foreign currency announced at the congress, the most elementary computations lead to a depressing conclusion. There is an indicator in international monetary practices known as the debt service coefficient. This is the relationship of payments on debts (principal and interest) to the country's currency receipts. It indicates the percentage of a country's currency receipts absorbed by its debts. Usually, 25 percent is regarded as the safe level or limit. The indicator for Brazil, the world's biggest debtor, is 44 percent. It is even higher for some developing countries, although the average for this group of states is 25 percent. For us, on the other hand, the figure appears to be 75 percent!

Soviet analysts remained silent, but the Western financial community literally flew into a panic. Those who took the estimate seriously demanded that all credit to the Soviet Union be cut off immediately and that the interest rates on loans extended to the Soviet Union be raised dramatically. After carefully calculating all of their loans to us, however, the Westerners calmed down: As the Reuter Agency's financial correspondent reported, "the Soviets increased their indebtedness by

around 40 percent and at least doubled their payments on their debts." He advised Moscow to take measures to "reassure Western bankers." Fine, lower figures soon made their appearance in our press and were announced in public statements.

Therefore, if we are paying only the 5.3 billion listed in the draft budget instead of 12 billion rubles in foreign currency on our debts, the coefficient is around 30 percent. This is a large amount, but it is not catastrophic.

For the sake of civilized international monetary transactions, however, it is also important for us to know the amount of our net national debt. This is our total debt minus our deposits in foreign banks. According to the calculations of the meticulous Western bankers, Soviet deposits abroad amount to around 15 billion dollars. This is not bad at all in comparison with the debt, but how valid are these figures?

Does It Suit the Purpose?

After discovering that the country's currency accounts are slightly better than they seemed at first, should we acknowledge the validity of the statements of those who support the vigorous solicitation of new credit? Perhaps we should.

But would it not be better to take another look at what we have done with the loans we have already received and what we are doing with the income we earn from our exports—all of the petro-dollars, timber-dollars, and gas-dollars and all of the various loans of recent years? Have we learned to use borrowed funds effectively to satisfy our internal needs and to establish an export base which will allow us to pay our debts in the future and have additional income left over for our own needs?

It is no secret that the lion's share of all the credit we have received thus far has been used to purchase machines, equipment, and technology for several of our industrial branches. The chronic delays in construction projects in our national economy, however, have also affected investments in capital construction. The cost of uninstalled imported equipment has risen with each year, and although the growth rate did slow down slightly in the last few years, the total figure is still close to 5 billion rubles!

The warranty period for most of this equipment has expired, along with the chance of free warranty services. Besides this, if an overseas machine should turn out to have production defects, these defects will have to be included among our direct currency losses.

Of course, much of the equipment purchased with foreign currency is working quite well and the investment in much of it has been recouped several times over, but how often does the work have to stop in enterprises and shops with Japanese, American, Swiss, or other equipment because there are no raw materials, spare parts, or skilled personnel? When the Foreign Economic Bank surveyed 124 enterprises operating on complete sets of foreign

equipment, just 22 were producing export goods worth 207 million rubles, representing...3 percent of their gross product.

Because of the low output of imported equipment, most of which we bought on credit, the national economy is suffering from a shortage of some goods which we have to buy abroad after selling our oil, applying for new credit, and so forth.

Judging by official figures, the amount of money tied up in uninstalled equipment could have paid for consumer goods in quantities exceeding the entire domestic market increase stipulated in the emergency program.

How are we spending the current receipts from our exports? The answer to this question is easy to find among the reports and figures cited at the First Congress of People's Deputies. In the past year, for example, purchases of grain and other foods cost more than 5 billion rubles. Meanwhile, we are losing approximately the same amount of our own grain, meat, and fruit because of inappropriate storage, shipping, and processing practices....

It is unlikely that any other country is using foreign currency, which is so difficult to obtain, in such a wasteful manner. Until we can meet the international standard of effectiveness in the use of borrowed funds, the rapid "erosion" of our new loans will be inevitable. It is obvious that this kind of effectiveness cannot be achieved with the old economic mechanism.

The acquisition and use of credit resources in the old manner will simply prolong the death throes of the discredited system of economic management and will give it just enough strength to fight against the new one.

In the final analysis, the question is not whether we should or should not apply for credit, but whether the entire society can realize the scales and contradictory elements of this dilemma and resolve to take care of all foreign currency problems in accordance with the objectives of the country's social and economic development with the help of a new economic mechanism.

Foreign economic activity, including trade and credit, has traditionally been used to patch up the holes that have appeared in one branch of our economy after another. Our debt to the West has almost doubled just in the last 5 years. Our foreign trade deficit is growing quickly. Therapeutic measures in this area must be truly comprehensive and extraordinary and must be coordinated with the general economic program.

If we want closer cooperation with the outside world, we must learn more about the proper conduct of foreign economic affairs. The primary and principal feature of this ability is complete and reliable information about the market and about our own status.

Immediate Priorities

It is obvious that the budget, including its currency reserves, must be used to finance only statewide programs, especially those with a social purpose. Everything else should be earned or acquired on bank credit by the producers themselves. Exports and imports should be an integral, organic part of the national economy. The USSR Supreme Soviet could set a ceiling on the national debt and guidelines for the expenditure of budget currency reserves. All other decisions should be made on the level of enterprises and associations.

Obviously, this cannot be done immediately, but many of the necessary changes can be made soon. Our years of mismanagement produced so much scrap that we could obtain substantial sums in foreign currency simply by selling it. I think that if industry and agriculture will be unable to use this scrap in the next year or two, the scrap heaps should be open to export without strict licensing. You will agree that it would be better to sell scrap than to sell gold or apply for credit.

And should this apply only to the scrap? There is also all of the dead weight purchased on credit in foreign currency. Much of our uninstalled equipment, including imported equipment, is precisely this kind of dead weight. Perhaps we should consider selling it to foreign firms, or simply giving it to them in exchange for a promise to complete our unfinished projects and begin producing goods.

In general, in our efforts to solve our economic problems and sustain perestroika, we could use the sphere of foreign economic and credit relations as a canal connecting us with the outside world, a canal free of departmental locks, manned by intelligent pilots. Then we would be able to sail through the canal with goods, instead of with an outstretched hand.

Problems With 'Foreign Currency' Ruble Rate

90UI0218A Moscow IZVESTIYA in Russian 11 Dec 89
Morning Edition p 3

[Article by E. Gonzalyez: "Foreign-Currency Fever—Portrait of a Phenomenon From the Side and Head-On"]

[Text] An advertisement for Coca-Cola can be seen in the window today. An item from abroad—pretty, bright and almost not spoiling the urban landscape. Right under the ad are the doors to a store. It would be interesting to know whether at least one person, seeing such beauty, goes up to the counter and demands a couple of bottles.

Hardly. Everyone knows that the ad is not for that. But what is it for? That is also well known: ads are usually paid for, and the city needs currency. They can buy something for it. Including Coca-Cola, which is all snatched up in five minutes without any ads.

When the need for foreign currency was a monopoly of the state, we did not pay attention to it. Why did we need

to know how much a pound sterling was when we did not know where to get three rubles before payday? But the doors to the foreign market were opened a little in April of this year, and individual enterprises, organizations and cooperatives began pushing their way through. And then—what a breakthrough!

One newspaper reported that today there is nothing easier than to get from Sheremetyevo Airport to Moscow—payment in freely convertible currency. Another discovered an unlimited quantity of brick (in the face of the universal starvation for building materials) at 10 cents apiece. A film star, in a third publication, shared some not very pleasant impressions of a visit to a foreign-currency restaurant. And in Leningrad they are lining up in front of the television camera in connection with the possible export of donated blood—is this ethical, or still not quite?

Despite the specific choice of deals and the dose of irony in their descriptions, I am not at all against advertising a cool mirage or taxis for dollars. I can even think of conditions where trading in blood would arouse no objections either. So why am I talking about this? Only to direct attention to what is hitting us in the face—the universal chase after foreign currency has begun.

This is already a phenomenon. Newspapers, radio, television—all are discussing the topic of currency or advertising a foreign-currency something. The suppliers of traditional goods—raw materials, foodstuffs, materials, all sorts of instruments, parts and the like—are quietly expanding their presence in the foreign market. The sellers of such exotic items as brick are jostling their way in with noise and advertising. Even a famous dance troupe has started talking about the need to earn foreign currency. And we thought that it was namely for that reason that it had not been on this side of the frontier in so many years. But it turns out that either the troupe has been earning dollars and pounds wrong, or we have been spending them wrong.

Matters will ultimately be settled with the troupe. But how about the foreign-currency fever in general? Certain specialists, after all—reputable ones, with positions and titles—feel that this is a beneficial phenomenon for our economy, while others—no less reputable—feel it is ruinous. If the truth lies somewhere in the middle, let us try and seek it out.

Every so often they give out coupons at the 1st Clock and Watch Plant for which you can acquire Salamandras or some other imported shoes, purchased for your own currency.

"What's so bad there?" asks any normal person, adding, "We wouldn't say no either."

But Pavel Grigoryevich Bunich, our well-known economist, has done the following mini-analysis: the watches of this plant go for 150-180 dollars apiece in the international market, while some others go by weight. You would scarcely find people willing to make them without

the Salamandras. And what do we have with Salamandra? A good collective, good watches, good shoes and good receipts for them, which facilitates monetary circulation in the country.

So, then—hooray?!

But quite recently the Party Control Committee of the CPSU Central Committee was discussing instances of the sale abroad of fish, which we are lacking ourselves. And after all, the set-up here was exceedingly similar: this or that oblast organization obtained some fish, sold it for convertible currency, purchased consumer goods—possibly even Salamandras, but most likely radios and video equipment—and sold them, that is, distributed these goods among its oblast. Which was deemed impermissible by the committee.

So, then—danger?!

Not at all; probably neither the one nor the other example means anything at all taken separately. We clearly need to consider the phenomenon overall and from various angles. So access to the foreign market for individual enterprises is good in that the collectives receive greater independence and the opportunity to satisfy their own needs. The state can meanwhile count on an influx of currency, changes for the better in export patterns, the modernization of enterprises and on imported goods for the emaciated consumer market.

It is true that the newly fledged exporters have seized principally on the latter—consumer goods. The enterprises are using that 25 percent of the foreign-currency fund that can be spent on Salamandras and other things very actively, according to the estimates of experts at Vneshekonombank [Bank for Foreign Economic Activity]. It is still too early to tell with regard to the influx of currency overall (according to the same estimates). A structural shift from the export of raw materials to machine-building products has yet to be noted. And the enterprises prefer to acquire new technologies with the aid of USSR Gosplan as before, not using their own receipts from abroad.

A report that USSR Minfin [Ministry of Finance] intends to assemble on the results of the year will provide a more accurate picture of foreign-currency income and spending, but it is easy to forecast it and even explain it today. In particular by the fact that we headed off to conquer the foreign market without either the experience or the personnel, that a turnaround in our consumerist and dependent psychology has still not occurred...

Plenty of mistakes were made, of course. This is, after all, correctible: if we have lost anything since the decentralization of foreign economic activity, it is only time. Specialists will appear at enterprises and will learn how to abide by their own foreign-trade interests, and if they do not learn, they will go bust and give way to the more experienced. Some major enterprises already look intrinsically like successful merchants, and the 1st Clock and Watch Plant is clearly one of them.

So then, let us sum up the preliminary results: the ideas of the government decree that opened the doors of the foreign market for enterprises are sensible ones, and all of the goals inherent in it can be achieved with time, while the universal chase after the dollar is a normal phenomenon and a healthy one, if only...

Here, as always, the skeptic appears and sadly drops just one phrase: "If only there were not a flight from the ruble."

What can be sold abroad? Only the best or the scarcest, that is, that which would be bought with enormous satisfaction here as well. These same watches are "gotten" here only at speculative prices. The plant and the treasury could receive a pile of rubles for them, but they prefer dollars for entirely understandable reasons. Everything that was enumerated above—taxis, bricks, blood and even the dance troupe—all are in short supply, all can be paid for with rubles over and above the official prices. Only, as they say, it's not necessary.

The picture is the same in relations among enterprises. The majority are trying to cross themselves against the evil of state orders, against a contract for the delivery of something, and if deals are made, they are "head for head." A tractor for you from me, bricks for me from you. The rubles are transferred from one account to another accurately and completely, but only so as not to be guilty of bartering.

The first foreign-currency auction was held here recently. The number of those desiring to purchase foreign currency, notwithstanding a number of artificial restrictions, was 50 times more than those desiring to sell.

The ruble is thus not something attractive to our enterprises. We note this fact and move on—to the individual person, for whom the ruble still means something. But if we begin issuing coupons together with wages—today for shoes, tomorrow for televisions, the day after tomorrow for something else—then what ultimately becomes the main thing? The coupons, of course, which can always be sold for rubles, while the converse is not the case.

Gaining access to the foreign market and operating there according to market laws, our enterprises thus are being drawn more and more into distributive relations at home—by coupons, by postcards, in the form of an animate line, in the form of exclusion, and then by instructions, permission and directives. We know what distribution is like from our experience in obtaining housing, where twenty or thirty lines exist entirely legally. This is not, of course, the main thing.

The most extreme expression of distributive relations today is probably North Korea, where you cannot even get a bottle of beer without first surrendering a coupon and then money. But we want to move in the direction of an intrinsically convertible currency. But can you really convert... coupons? But it is namely they that are able to become a transactional equivalent with time.

We note that fact as well and move on. Far from all enterprises have the opportunity to earn foreign currency. It is true that those that do earn it are supposed to share it with their suppliers, but the holders of the dollars are so far not even turning over the stipulated five percent to the local authorities for city or oblast needs.

But everybody wants to wear Salamandras. That means we have suffering ahead? A foreign-currency black market for enterprises as well as individual citizens.

Strictly speaking, it already exists in embryonic stage. Here is an advertisement from a newspaper: "A joint venture being created is prepared to pay with Western-produced computers for lease accommodations of about 300 square meters in Moscow center." This is, of course, not yet dollars in place of rubles, it is not yet pounds, it is still just computers purchased for dollars or pounds. And still—it is a distortion of economic ties and mutual relations that is inevitable in principle with the spread of foreign currency.

We have been buying grain from kolkhozes and sovkhozes for currency for a short while now. When this idea was first propagated, it did not seem anomalous. After all, we buy it from them for dollars, why not give them the dollars themselves? We might even save some. Logical? But think about something else: we now have to sell oil and timber, textiles and refrigerators, watches and machine tools abroad in order to buy bread from our own peasants. That's logical too?

Next let's pay in dollars for the fact that grain is stored, that it is used to feed livestock, and not trucked to the dump... Otherwise the enterprise itself will quickly find a similar dollar trade, and its will become the main one.

In Mangyshlak, for example, there is a certain oil- and gas-producing administration. It found lucrative buyers for oil, but Gosnab and Gosplan did not sanction the deal—they needed the oil themselves. Then the enterprise begins to develop two fruitful ideas. The first: the joint manufacture of sheepskin hides and the sewing of tanned hides with the Spaniards. The second: the joint production and processing of shell deposits for the finishing of buildings with the Italians.

This could look like socialist enterprise and initiative to someone. And it probably is. But let's look at it from another angle: what is oil? For the state it is foreign currency, for the enterprise it is basically rubles. What are hides and shell deposits? There you go.

We could discuss the future correlation of freely convertible currency and the ruble some more. And wherever you look it turns out that the already sickly position of the ruble could be staggered even more.

But why debate when we can, together with financial scholar Andrey Ilich Kazmin, simply recall the 1920s—he has been studying that period from archives and literature that is still not accessible to us.

What happened in farming during that time? The abolition of apportionment and the budget financing of enterprises, along with their conversion to leasing. Does that remind you of anything? All right, let's add a budget deficit—much larger than today's, the issuing of *sovznaki* [Soviet paper money issued from 1919 to 1924], roughly 400 million gold rubles "tucked away," a multitude of regional currencies—in Azerbaijan, Armenia and Georgia et cetera—and, finally, foreign currency.

There is no gold danger for the ruble today—the precious metal has ceased to perform monetary functions. And all the rest, including the constant discussions of republic currencies, is obvious.

At that time, in the ruins of military communism, a market was being created, but the country's monetary system had been adapted to distributive relations rather than market ones. The weight of the *sovznaki* began to fall rapidly, prices for goods rose and commission and commercial prices arose. Something like today's small bottle of perfume for 180 rubles—that was the first sign.

A situation arose where the country could have been without its own monetary system altogether. That is, there would have been second-class rubles for who knows what and foreign currency for serious market relations.

That is when the gold *chervonets*—which was not gold, by the way—came to the rescue. And another detail of no small importance—the *chervonets* (10 gold rubles) was intended for wholesale trade only, and not at all for retail trade. The *chervonets* was cash, it could be felt, but it must be taken into account that a non-cash system like today's simply did not exist then. It was later, when the accounts of enterprises were *chervonets* notes alone and they all were refusing *sovznaki*, that the question arose of how to issue wages.

Why did the *chervonets* not only survive but grow so much stronger that it became exceedingly attractive both within the country and abroad? Not because it was good and the *sovznaki* were bad. Two monetary systems simply existed for a time in the country, two systems of credit, two systems of finance. There was constant issuing of *sovznaki*, and they went further down. But they never issued more *chervonets* notes than were needed for circulation.

It is a matter of long ago, and specialists could perhaps dispute some of what has been said. But we are trying to grasp the most important and indisputable thing: we have before us experience in the almost simultaneous reforming of operational economic relations and the financial system. It was later repeated by Germany, and twice by Japan.

And we watch the staggering ruble apathetically anyway? We still console ourselves with the fact that the dollar,

pound, mark and simply foreign-currency rubles theoretically occur here only in non-cash form and thus supposedly pose no threat.

"We at Minfin are categorically against the circulation of two currencies," said the deputy chief of the composite Currency and Economics Department, A. Golovatyy. "If the dollar appears in hand, it's the end for the ruble. That we understand. Both enterprises and individuals that earn foreign currency can acquire things only through transfer. They allowed the West German mark to circulate in the GDR at one time, and it started. Even apartment repairs—only for foreign currency. We have thus far in general been able to screen the ruble from competition."

But for long? The same Minfin was recently forced to institute the so-called ruble coverage at 6 rubles and change per dollar for certain operations. If an enterprise wants to send someone on a business trip for the foreign currency it has earned, it has to put rubles into the budget in that exact ratio.

Why did they do this? Everyone started going abroad, thereby converting non-cash dollars into cash. There's the first breakthrough. But don't forget the foreign-currency restaurants, taxis and other cooperatives where dollars are simply pouring in.

But why talk about that! Somewhere around 15-20 million foreign-currency rubles were put into circulation at the aforementioned auction. According to the data of the NII [scientific-research institute] of MVD [Ministry of Internal Affairs], certain Moscow "*putains*" earn roughly that much every year. They are hardly obtaining dollars through transfers. And if we look into the pockets of the pimps, racketeers, secret agents, gambling den operators and others, we will find a sum triple that.

The sale of the dollar is, of course, still a complex matter. So what then, we'll just wait till it's easier?

"Financial reform, in my opinion, should not lag far behind economic reform," said the deputy director of the Planning and Economics Administration of Vneshekonombank, S. Ovseychik, at the end of our discussion. "Otherwise we won't even notice when the time comes that you'll only be able to sneeze for 10 cents."

Possibly somewhat of an exaggeration. But scarcely anyone would argue with the fact that the successes of enterprises in getting currency should proceed in parallel with the strengthening of the ruble. But we have, it seems, learned something in the area of foreign currency, while everything in the area of the ruble is in a fog. The economists are saying that until we revive finances, we will not have a market. The financial scholars are saying that until we revive the economy, there's no point in dreaming of a hard ruble. Neither the one nor the other wants to see a single whole in economics and finance.

Whence the nature of the financial reforms being proposed—either senseless or unrealistic. There is, it seems, only one proposal by three economists (I especially do not name them, as I think that specific authorship interferes with the idea) that unites economic and financial reform in such a way that the money leads (theoretically, of course) to a market.

Perhaps the most unexpected thing (for me, in any case) is the fact that the discussion concerns the reform first and foremost of non-cash forms of money, which are not counted as money here, while the existing rubles are being preserved. It is, after all, namely our non-cash system that is the product of distributive relations. Almost nine tenths of all the finances of the country occur in that form. And how much of them there are exactly, what the issue, inflation, devaluation are—we are simply not asking these questions.

I won't say anything about the essence of the proposed re-organization—such a primitive exposition will elicit nothing but questions. But here is what I want to say: the concept was first aired two years ago, other at least somewhat serious methods of solving the problems have not appeared since that time, and not one of the specialists that I spoke with knew this at all.

What is going on? Perhaps the apprehensions that have been stated here are exaggerated, and the threat to the ruble has not yet come of age? Perhaps today's problems of the dollar screens from us tomorrow's problem of the ruble?

Either way a problem exists. In complete accordance with Goethe's assertion that it is always a problem, and not the truth, that lies between two extreme opinions.

Foreign Trade Association Director on Hard Currency Problems

90UI0221A Moscow *EKONOMICHESKAYA GAZETA* in Russian No 49, Dec 89 p 21

[Interview with Aleksandr Apukhtin, director of BelavtoMAZ Production Association's foreign trade firm, by P. Burak (Minsk): "Green Light for the Exporter"; first two paragraphs are *EKONOMICHESKAYA GAZETA* introduction]

[Text] On the telexes coming here from different parts of the world, the addressee is abbreviated "MAZ." The "BelavtoMAZ" Production Association is known by this name in at least 50 countries to which its vehicles are exported. In addition to the head enterprise, the Minsk Motor Vehicle Plant, the association consists of BelAZ [Belorussian Motor Vehicle Plant], located in Zhodino and producing heavy-duty dump trucks, and MOAZ [Mogilev Motor Vehicle Plant], producing scrapers. The interests of all three plants are represented in the world market by the association's foreign trade firm.

In a conversation with an *EKONOMICHESKAYA GAZETA* correspondent, Aleksandr Apukhtin, the

director of the firm, focused his attention on the obstacles which must be eliminated before MAZ can occupy a stronger and broader position in the world market.

[Apukhtin] Consider, for example, the present standard deduction from the currency receipts of industrial enterprises. It is set on the final product, the finished vehicle. In other words, it is set for the head exporting enterprise. Now, however, part of the deduction should also go to the subcontractors who help to build the final product with shipments of their components. In general, this is understandable, but the standard deduction is still the same! It does not exceed, for example, 45 percent—on sales for hard currency or in Yugoslavia, China, and Finland. If we were to give all of the subcontractors their share of the currency receipts, and it could be as high as 60 percent, we would have virtually nothing left. Who can suggest a reasonable and fair solution to this problem?

[Burak] What would you suggest?

[Apukhtin] Our proposals coincide with what USSR Gosplan staffer A. Zverev already said in *EKONOMICHESKAYA GAZETA* (No 12). He wrote: "In view of the priority assigned to exports of machine-building products and highly processed goods, it would probably be best to set a higher standard deduction for this group of commodities for the next 5 years. In some cases, it might even be expedient to give the enterprise 100 percent of the foreign currency it earns."

I am certain that this would give all machine builders the strongest incentive to increase their exports in the near future. Later, after they have gained a strong position in foreign markets and begin earning a higher income, the state will still get its share, and even with a profit, in taxes if not in standard deductions.

There is also another problem with the subcontractors. Most of our vehicles are sold on long-term credit (in addition to those shipped to CEMA countries, where cash is not used in the settlement of accounts either). Recently, for example, we sold ten 75-ton BelAZ vehicles to Yugoslavia on credit extending over a 3-year period, and even the first payment was deferred for a year. In the case of some countries experiencing economic difficulties, loan payments in foreign currency might be a big problem. Our subcontractors, however, expect the head enterprise to settle accounts with them in the same way as in deliveries within the country: After they have sent off the quarterly supply of goods, they want to submit a bill and receive their currency.

Or consider the following situation. The associations of the Ministry of Foreign Economic Relations which render technical assistance in construction projects abroad often order vehicles from us for temporary use in another country without paying any foreign currency to the enterprise, although this is also a case of export. Our suppliers of tropical tires want us to pay them in foreign currency, but we have not received any.

[Burak] But you do manage to get out of these difficult situations?

[Apukhtin] We literally wiggle out of them however we can. Last year we turned over foreign currency only to three suppliers, including the Yaroslavl Motor Plant, which makes engines for us. Most of our earlier agreements with subcontractors did not stipulate the transfer of foreign currency to them for export transactions. Now they have become more knowledgeable and are more likely to insist that agreements include this stipulation, threatening to stop shipping us components.

The present standard deduction does not stipulate the development of beneficial cooperation with foreign firms either. For example, we want to acquire the engines of a foreign firm on a cooperative basis for the purpose of selling our vehicles in new Western markets, using the foreign firm's service network there, and enhancing the prestige of Soviet vehicles. The price of this engine in hard currency might be as high as 45 percent of the vehicle cost. After paying the foreign firm for the engine, installing it in the vehicle, and selling the MAZ for hard currency, the enterprise will still get only the standard 45 percent. In this case, we are like the salesman in the joke who sold hard-boiled eggs for the same price he paid for raw ones.

[Burak] But perhaps it is wrong to consider such an expensive cooperative project? Is it not likely that all of these problems would disappear if you could increase your exports dramatically and thereby achieve a state of currency self-sufficiency?

[Apukhtin] This is easy to say, but it is incomparably harder to do. After all, all products have to be raised to a fundamentally new qualitative level, and it seems to me that this will be impossible without the creation of more realistic incentives for exports.

In general, our results look promising so far. Consider the increase in our association's vehicle exports: Sales for hard currency were 3.5 times as high in 1987 as in 1986, and in 1988 they were twice as high as the previous year, and part of the reason was that we were able to find new sales markets. The Philippines, Ecuador, and Guinea were added to the list of countries importing Belorussian motor vehicles, and in 1989 the United States joined the group. In spite of this growth, however, we cannot delude ourselves about quantitative or qualitative criteria, and we are still far from a state of currency self-sufficiency.

According to the calculations of MAZ experts, the technical renovation of the enterprise, including the long-overdue incorporation of equipment for the production of competitive parts and components and for the manufacture of specialized instruments and dies and the modernization of welding equipment, will require annual capital investments equivalent to around 4 million rubles in foreign currency. We could earn these funds ourselves and not solicit investments in foreign currency if...we could keep 100 percent of the hard currency we earn. Of course, I repeat, we would not be

doing this on a permanent basis, but just until we can stand on our own feet—say, just for the next 5 years or so. Then we will be self-sufficient and we will also make money for the country.

[Burak] As far as we know, your production association is engaged in barter transactions—i.e., commodity exchange operations—which are not highly recommended and which do not provide any "recompense" for the state.

[Apukhtin] Barter transactions are possible only in the case of above-plan products. Many of the foreign firms with which we do business, however, would be willing to increase their imports of our machine-building products dramatically in exchange for an equivalent amount of equipment, components, and materials from them.

And here is what happens—or, to put it more precisely, what does not happen. Because of the difficulties in the balance of payments with Yugoslavia, for example, our purchases of Yugoslav paints and varnishes, for which state budget funds have already been allocated, have been reduced considerably, and this has naturally had an adverse effect on MAZ as well. Vehicle builders are among the main users of paints and varnishes. The shortage of these causes delays in production and lowers product quality.

When our Yugoslav partner, the Progress firm, purchased our vehicles, it expressed a wish to take more of them in exchange for an equivalent quantity of the paint our enterprise needs so much for all of its products—i.e., primarily for the domestic economy. Current instructions, however, prohibit this kind of transaction.

We have also run into another problem in the sales of BelAZ quarry dump trucks. Most of the mining for ferrous and non-ferrous ores, coal, and fertilizers is conducted in the Asian, African, and Latin American countries which sometimes experience serious currency difficulties. For this reason, mining firms pay for mining equipment from Japan, the United States, and other Western countries with raw materials. We could also sell them this equipment for raw materials and find a way of selling these materials in Western markets—if not for currency, then for the Western technological equipment our enterprises need so much for their modernization and remodeling. Because of the strict licensing procedure for barter transactions, this is impossible. But after all, in the final analysis, what the country needs is not dollars, but progressive technology, equipment, and materials.

We would also like the Ministry of Foreign Economic Relations to help us with the following problem. This ministry's all-union associations buy foreign bauxite, non-ferrous ores, and other resources extracted with quarry dump trucks. Large quantities are purchased in Guinea, Greece, and Jamaica. In Jamaica, for example, American dump trucks are used in bauxite mining, but ours could also be used there. Furthermore, the Raznoimport Foreign Trade Association is buying the Jamaican bauxite with currency from the state budget.

We have tried to convince Raznoimport to coordinate part of these purchases with the terms of Soviet vehicle delivery: Take our dump trucks and then save up some currency and buy more bauxite. As yet, however, we have not had any success.

The same kind of coordination should be employed in purchases of phosphate fertilizers from Morocco and Tunisia by the Prommasheksport Association. This would also expand the sales markets of Soviet machine-building products.

The motto "What is good for the enterprise is good for the country" should be applied more firmly to foreign economic activity.

Formation of Joint Venture Trade Union Discussed

90UI0257A Moscow SOVETSKIYE PROFSOYUZY
in Russian No 20, Oct 89 pp 14-15

[Article by A. Komarov, specialist at the Association of Joint Enterprises and International Associations and Organizations (Moscow): "Joint Ventures; Problems of Social Guarantees"]

[Text] Around 900 different types of joint ventures with foreign firms have been registered in the USSR.

The non-governmental, public Association of Joint Enterprises and International Associations and Organizations (ASP) was established in September 1988 by a decision of a general conference of representatives of joint enterprises.

The main purpose of the ASP is the development and consolidation of the joint venture movement in the USSR and the protection of our members' rights. The association intends to secure the regular exchange of experience between joint enterprises at conferences, seminars, symposiums, and other gatherings, to hold meetings, and to organize consultations with specialists in various fields of foreign economic activity and is striving for the quick and efficient provision of its members with all of the necessary information about the establishment and operation of joint enterprises. The association regards the training and advanced training of highly skilled personnel for joint enterprises as the most important area of its activity.

In short, the ASP is engaged in broad international dialogue with similar organizations in foreign countries, including dialogue within the framework of international organizations.

The development of joint ventures, however, marked the appearance of a new sector diverging from our traditional view of socialist economic management (hired manpower, short-term contracts, profits, and joint capital), although the general status of the workers of these enterprises is governed by Soviet labor laws. Nevertheless, trade unions in the USSR now have to deal with a group of problems connected with the distinctive status

of the workers of joint enterprises: the combined work crew made up of Soviet and foreign citizens, the consideration of the legal circumstances of the foreign partner, and, finally, the more productive labor and higher wages of personnel and the higher profits of enterprises which frequently specialize in several fields, have a small staff, and are territorially discrete. The distinctive organizational, economic, and legal features of joint enterprises have faced trade unions operating in this new economic sector with specific problems connected with various aspects of their activity.

It is not surprising that the ASP has had to answer many questions about the organization of trade-union work at joint enterprises. These are questions pertaining to the negotiating procedure, content, and structure of collective agreements, the rules of union membership, the conditions of the organization of social insurance and social services for Soviet and foreign personnel, and many other problems. The rise in the number of joint enterprises has been accompanied by a constant rise in the number of these questions.

Unfortunately, there are still no clear and complete answers to most of these questions. After all, this is a completely new development. But answers have to be found, and the sooner the better. For this reason, in line with a decision of the general conference, the association board felt the need to create a working group under the jurisdiction of the executive committee, consisting of specialists in international labor law, researchers, and the personnel of joint enterprises with practical experience in trade-union activity. This January the AUCCTU Secretariat also formed a working group to investigate the matter. Professional contacts with this group have been established.

The rapid rise in the number of joint enterprises and the importance of the new questions necessitated quick and abundant research and analytical work. The general conclusions were the following: Today virtually no trade-union work is being conducted at the majority of joint enterprises. Collective agreements are either completely absent or are drawn up on the old terms, with no consideration for the distinctive features of joint ventures. The basic guidelines of trade-union work, the prospects for its development, and the problems and difficulties at the majority of enterprises are neither investigated nor acknowledged. There are no knowledgeable and qualified trade-union officials. Furthermore, they cannot appear of their own accord. What is more, sectorial and territorial trade-union organs have offered little assistance in this area to date.

All of this indicates the need to create a specialized organ to promote the unification of all trade-union organizations at joint enterprises, solve their problems competently and efficiently, and represent and protect their interests in government bodies and the AUCCTU. Furthermore, and this is particularly important, it must be an organ with the right of legislative initiative.

For this reason, the association executive committee proposed the creation of a working body capable of becoming an organic part of the existing structure of Soviet trade unions and simultaneously actively influencing the work of all their territorial and sectorial organs in matters pertaining directly to joint ventures. This would be the All-Union Federation of Trade-Union Organizations of Joint Ventures—the VFPOSP—which would unite all such trade-union organizations, regardless of the nature and purpose of the economic activity of these enterprises and the state affiliations of foreign founders.

According to the draft VFPOSP charter, the federation will act in accordance with the Constitution of the USSR, Soviet law, and the USSR Trade-Union Charter, and membership in it will be collective. Because the federation will be established and will operate in a new sector of our economy, its organizational structure should be completely in line with the economic and legal features of all the foreign states represented in the joint ventures. To this end, the trade-union organizations of enterprises connected with the participation of organizations and firms from a single foreign state are to be united in unified trade-union divisions which will elect representatives to serve as members of the federation board. This will secure maximum consideration for the distinctive features and interests of enterprises established with the participation of a specific foreign state.

This will be exceptionally important in drawing up the basic collective labor agreements the federation can conclude with organizations representing business and employer interests. Separate basic collective agreements should be concluded with each trade-union division of the VFPOSP, taking all of the distinctive features of the laws of a specific foreign state into account, as well as the state's traditions and standards of labor organization and wages—in general, all of the fundamental conditions which must be observed for the normal and conflict-free work of the enterprise.

These agreements could then become the basis of the collective agreements which should be concluded at the enterprises themselves, but with consideration for sectorial features and the technological properties and features of the specific enterprise.

The VFPOSP must defend its approach to collective agreements, envisaging not the reduction of the income of these workers to the national average, but, rather, the elevation of their wages to the level of the wages of foreign workers. This approach is applauded and approved by virtually all overseas trade unions because it will allow them to defend their hard-won social gains and prevent the dumping sale of our manpower.

The same is true of the material goods distributed through the channels of social insurance and social security, including medical services, the distribution of vacation passes to health resorts, the allocation of housing, etc. In this area the federation will strive to

actively influence the sectorial and territorial organs of our trade unions so that the workers of the generally small but efficiently operating and highly profitable joint enterprises will receive their fair share in the distribution of these goods, commensurate with their contribution to per capita public funds.

Another exceptionally important function of the federation will consist in the creation of special centralized funds, formed on a strictly voluntary basis and intended to finance housing, cultural, and consumer programs, including programs for the construction of rest and recreation facilities for the workers of joint enterprises, residential buildings, cultural establishments, and other facilities. The federation will also have centralized insurance funds for cases of disability, enterprise bankruptcy, the support of joint trade-union actions, and other such purposes, which will be defined and approved by all association members. These funds, which will exist parallel to the state insurance system, will assist in supporting workers who are experiencing difficulties for various reasons and will give them stronger social and material protection. Of course, the procedure for the creation and expenditure of these funds will be approved at federation conferences on a democratic basis, with consideration for all opinions and suggestions.

It seems fundamentally important that the payment of federation dues should not affect the amount of wages paid to the workers. For this reason, these fees could be paid out of any joint enterprise funds other than wage and financial incentive funds. This should be stipulated in collective agreements and should then be followed by the necessary adjustment of enterprise budgets.

The AUCCTU Secretariat recently supported the ASP proposal on the creation of the all-union federation and approved the basic principles of its organization. Questions about its exact structure were cleared up—it is possible that republic federations will be established and will have branches in oblasts and krais.

The ASP is now conducting a great deal of work to secure the unification and consolidation of the entire joint venture movement and is hoping for the complete support of its efforts and an understanding of the difficulties, objective and subjective, we will have to overcome.

'International Moscow Bank' Registered

90UI0257B Moscow IZVESTIYA in Russian 20 Dec 89
Morning Edition p 3

[Interview with Vladislav Borisovich Sudakov, chairman of the board of the International Moscow Bank, by correspondent V. Romanyuk, in Moscow; first paragraph is IZVESTIYA introduction]

[Text] The first joint commercial bank with capital participation by foreign banking establishments was registered in Moscow. IZVESTIYA correspondent V. Romanyuk had a meeting with V. Sudakov, chairman of

the board of the International Moscow Bank, and asked him about the purpose and functions of the new banking establishment.

[Sudakov] The charter of our joint commercial bank was registered by USSR Gosbank on 19 November 1989 as No 1. Incidentally, the USSR Ministry of Finance registered the bank that same day as a joint venture, but as No 1000. It is called the "International Moscow Bank."

[Romanyuk] According to reports, one of the founders is the well-known Italian Bank, Banca Commerciale Italiana. What can you tell us about the rest?

[Sudakov] In addition to the Italian bank, the founders include such European banking giants as Credit Lyonnais (France), Creditanstalt Bankverein (Austria), Kansallis-Osake-Pankki (Finland), and Bayerische Vereinsbank (FRG). The Soviet establishments are the USSR Foreign Economic Bank, the USSR Bank for Financing Capital Investments, and the USSR Savings Bank. All of the overseas founders have an equal share of capital participation in the bank, and their combined contribution to the stock capital in hard currency is 60 percent. The Soviet founders hold 40 percent of the registered capital, including 20 percent in hard currency from the USSR Foreign Economic Bank.

[Romanyuk] What are the bank's assets?

[Sudakov] The bank is a legal person under Soviet law and has 100 million rubles in registered capital; four-fifths of this capital was deposited in hard currency. The bank was established as a joint-stock company and intends to operate on the basis of full economic accountability and currency self-sufficiency.

[Romanyuk] What can you tell us about the future clients of the International Moscow Bank?

[Sudakov] The bank will conduct its operations and offer services in Soviet rubles and foreign currency. Obviously, we intend to assist in the development of new forms of foreign economic activity with traditional banking services. Crediting, accounting, and settlement services are all included in the bank's program of operations. Besides this, we will assist Soviet organizations and their potential foreign partners in establishing contact, drawing up the technical and economic substantiation of projects, conducting leasing and factoring operations, and managing the resources of clients. Finally, we hope to provide agent services and conduct trust operations (the fiduciary operations which are common in international banking practices).

[Romanyuk] Does this mark the beginning of the establishment of a broad network of banks with mixed capital throughout our country?

[Sudakov] It is still too early to say this. The experience of the International Moscow Bank will determine future moves in this direction. Meanwhile, I would like to take this opportunity to ask our potential clients not to be in

a hurry to contact us. We are still forming the organization and we are still negotiating contracts for the purchase of equipment for the electronic processing of documents and software packages for a variety of banking operations. We also have some problems. In spite of a government decision, the bank still has not been assigned a building in Moscow. In principle, we might be able to open our doors to Soviet and foreign clients next September or October.

Work of Foreign Trading Firm 'Armenintorg' Described

90UI0189a Yerevan *KOMMUNIST* in Russian
16 Nov 89 p 1

[Article: "Presenting 'Armenintorg', Foreign Economic Ties"]

[Text] The domestic economy is in dire straits.

The promotion of foreign economic ties and the search for new markets and barter trade have become pressing problems of the day under these circumstances. But we have not been taught all this, and the development of commercial entrepreneurship is a difficult and long process. The notions of "business," "management" and "marketing," common all over the world, penetrate our economic realities with difficulty.

Representative of Western business circles are frequent visitors in the office of "Armenintorg", the Armenian foreign trade association. The organization is housed in what used to be a store, and these tight quarters with a sidewalk view through a barred window can be hardly called an "office." We have not learned yet how to trade and to receive foreign guests. Located in the pass through corridor, the rooms have no doors. One can accept such working conditions for a while of course. But it should be borne in mind that our partners, businessmen, form their impressions about our opportunities based on the outward signs as well. In a word, there are quite a few problems. Association director general P. Sarkisyan describes them.

All enterprises and organizations turning out competitive products have been granted the right to enter foreign markets as of April 1 of this year by the decision of the country's Council of Ministers. These enterprises and cooperatives have to be registered with the USSR Ministry of Foreign Economic Relations. A registration license gives the right to engage in international trade. "Armenintorg's" job is to look for foreign buyers, help in marketing our products on overseas markets and act as a go-between. This is labor-consuming work, I would say. How can one find a potential buyer on a foreign market who can be interested in our goods? We need information, computer data banks and reliable communications (telephone, telegraph, telex and fax) with overseas trade representations. We do not have such communications in full volume. We need to make trips to establish direct contacts. Unfortunately, until now it is the managers at

different levels who have made such trips, while experts - operations managers, economists and engineers - make them very rarely.

What opportunities does "Armenintorg" have? We have a staff of 19 people, including a driver, a delivery person and janitors. We experience a pressing need for qualified experts. Where can we find them, and who trains them? We have just fallen behind in training experts for foreign economic activity. You cannot do much as a self-financed organization. Our association takes up to five percent in commission on a broker deal. The deals are not big yet, so it is difficult to go all the way. It is within the competence of the republican Council of Ministers to grant an easy-term loan to the association. But this measure is necessary if we want to accelerate the development of foreign economic ties.

Trade is like an obstacle course - the fewer the obstacles, the higher the speed. All kinds of approvals and the licensing of products in the Ministry of Foreign Economic Relations and other ministries, as well as at the republican Council of Ministers, are the objective demands because we cannot export the goods and commodities of prime necessity given our scarce internal market and our shortages. Limitations are a must for a certain period of time. But the existing bureaucratic hurdles make the issue of export licenses far from an easy job. Only 28 enterprises in the republic, mostly belonging to the machine-building complex, have been granted licenses to sell goods abroad. The republican Council of Ministers has been given the right now to issue licenses. But just look at the list: wine (only grape), wild plants (which are not used for essential oils), medicine and medicinal plants, Tibetan medicine products (!?), inland water fish (except sturgeon) and waste paper. Such a list. You can use the things for yourself or you can trade them. The export of durable consumer goods has been banned. There are many paradoxes now. Thus, the sale of paintings by Armenian artists has to be approved by the USSR Minister of Culture and this transaction can be done through the organization, "Mezhdunarodnaya kniga."

Republican cooperatives are actively looking for foreign buyers. Their product samples generally correspond to the best as far as their quality and design are concerned. "Armenintorg" has already compiled a list of 400 types of cooperative items (footwear, leather goods, baby clothes, preserves, syrups, juices, fancy candles, china and many others). These goods require no licenses and are equated with the local cottage industry goods. We are trying to sell them as fast as we can.

"Armenintorg's" main job is to facilitate the launching of joint ventures, (JV). Unfortunately, the joint ventures registered so far turn out no products. The reason lies in the uncompleted work on the norms and acts governing mutual relations and mutual commitments.

If we subtract the enterprises that established ties with foreign firms long ago, last year "Armenintorg" made

trade deals worth 3.4 million rubles through the Ministry of local industry, the Ministry of Trade and "Aykoop."

The limited experience gained by our organization - it was established only 18 months ago - points to great potential opportunities. Armenintorg is known in many countries of the world, and talks are under way with many foreign countries. But...these are just talks.

The republic's export potential has not been tapped to the full. The preparations to switch over to republican economic accountability and possible creation of a free economic zone demand a more efficient response to the proposals made by Western partners and an in-depth study of the state of the foreign market.

7 Mar Decree on Foreign Economic Activity

90UI0278 Moscow BYULLETEN NORMATIVNYKH AKTOV MINISTERSTV I VEDOMSTV SSSR
in Russian No 9, Sep 89 pp 17-21

[Decree No 203 of the USSR Council of Ministers, issued on 7 Mar 89]

[Text] On Measures for State Regulation of Foreign Economic Activity

Decree of the USSR Council of Ministers, 7 March 1989, No 203

To ensure effective management of foreign economic activity and combine broad economic independence of the participants in foreign economic ties with state regulation of this activity, the USSR Council of Ministers decrees:

1. In accordance with Decree No 1405 of the USSR Council of Ministers, issued 2 December 1988, "On Further Development of Foreign Economic Activity of State, Cooperative, and Other Public Enterprises, Associations, and Organizations" (SP SSSR, 1989, No 2, Article 7), the following system of regulation of foreign economic activity is established in the USSR, including:

- registering participants of foreign economic ties;
- declaring goods and other property being moved across the USSR state border;
- procedure for the export and import of individual national goods;
- measures for operational regulation of foreign economic ties.

This system extends to all types of foreign economic activity, including direct production and scientific-technical ties, offshore and border trade, and barter transactions, in all sectors of foreign economic ties.¹

Registration of Participants in Foreign Economic Ties

2. Anyone desiring to take advantage of the right granted him to enter the foreign market directly must register

with the USSR Ministry of Foreign Economic Relations, including through its authorized staff locally.

Registration includes: presentation of a registration card completed in the prescribed manner; awarding of a registration number; being entered in the officially published State Register of Participants of Foreign Economic Ties; and issuance of a Registration Certificate.

The USSR Ministry of Foreign Economic Relations shall:

- have an authorized representative in autonomous republics, krais, and oblasts;
- accomplish registration using modern computer equipment and set up a single data bank on registered participants in foreign economic ties.

Registration is accomplished no later than 30 days after the date of receipt of the application. The USSR Ministry of Foreign Economic Relations immediately informs the appropriate ispolkoms of kray and oblast soviets of people's deputies, the councils of ministers of union and autonomous republics, and USSR ministries and departments about the registration.

Ministries and departments, the councils of ministers of union and autonomous republics, and the ispolkoms of local soviets of people's deputies shall assist in every possible way the USSR Ministry of Foreign Economic Relations and its authorized agents locally.

Participants in foreign economic ties who were given the right of independently entering the foreign market before this decree was adopted shall be registered on general grounds.

When registering in the established procedure joint ventures and international associations and organizations created on the territory of the USSR, the USSR Ministry of Finance also ensures their registration in the USSR Ministry of Foreign Economic Relations as participants in foreign economic ties.

Participants in foreign economic ties are responsible for the authenticity of information submitted for registration and for subsequent changes in the information.

3. To grant the USSR Ministry of Foreign Economic Relations the right:

- to question, if necessary, ministries and departments, councils of ministers of the republics of union and autonomous republics, ispolkoms of local soviets of people's deputies, banks, and participants in foreign economic ties about information confirming the authenticity of information reported on the registration cards;
- to collect payment for registration from participants in foreign economic ties in an amount determined by the USSR Ministry of Foreign Economic Relations, by

agreement with the USSR Ministry of Finance, to ensure recovery of the costs for conducting the registration.

The USSR Ministry of Foreign Economic Relations shall notify participants in foreign economic ties of the registration procedures through the mass media before 20 March 1989.

Declaring Goods or Other Property Being Moved Across the USSR State Border

4. To establish that, effective 1 April 1989, goods and other property being moved across the USSR state border are subject to mandatory declaration by submitting to the USSR State Customs Control agencies a freight customs declaration of the prescribed sample.

Declaration is done by the participants in foreign economic ties independently or on a contract basis through the All-Union Association Soyuzvneshttrans of the USSR Ministry of Foreign Economic Relations or other organizations determined by the USSR State Customs Control agencies.

Goods and other property being moved across the USSR state border without presentation of freight customs declaration or with violation of the established declaration procedure shall not be permitted to cross the border into or out of the USSR. Deliberately indicating false information on a customs declaration is punishable by law.

The Main Administration for State Customs Control under the USSR Council of Ministers shall notify participants in foreign economic ties about the declaration procedure before 20 March 1989 through the mass media.

5. Agencies of USSR State Customs Control shall collect payment for conducting customs procedures, including payments in the currency of payment with the contracting party, in an amount determined by the Main Administration for State Customs Control under the USSR Council of Ministers by agreement of the USSR Ministry of Finance.

To authorize the Main Administration for Customs Control under the USSR Council of Ministers to use these funds in the prescribed manner for developing the state customs service and for social needs of labor collectives.

6. To establish that information contained in the freight customs declaration is official initial data for state statistics of foreign economic activity.

The USSR State Committee for Statistics, the USSR Ministry of Foreign Economic Relations, and the Main Administration for State Customs Control under the USSR Council of Ministers shall ensure the introduction in the USSR in 1989-1990 of a system of collecting, processing, and publishing state statistics on foreign

economic activities in a form meeting current requirements for completeness, reliability, openness, and international comparability of data.

Procedure for the Export and Import of Individual National Goods

7. To approve the attached lists² of products (work, services) being exported and imported in 1989 and 1990 by enterprises, associations, production cooperatives, and other Soviet organizations under licenses issued by the appropriate ministries and departments of the USSR and by the councils of ministers of the union republics.

To establish that this procedure is also to be used in any purchase and sale transactions of a given product (work, service) with foreign companies and organizations on the territory of the USSR.

To authorize the State Foreign Economic Commission of the USSR Council of Ministers to make individual changes to the approved lists of products (work, services).

8. Joint ventures and international associations and organizations created on the territory of the USSR may export only products (work, services) produced by them and import products (work, services) only for their own needs. Permission from the USSR Ministry of Foreign Economic Relations is required to conduct intermediate operations.

Production cooperatives and their unions (associations) may export only products (work, services) they produced independently. They are not authorized to buy goods for the purpose of export resale, import goods for subsequent resale on the USSR domestic market, or to act as a middleman in foreign economic operations as a type of activity.

Other participants in foreign economic ties also cannot buy goods for the purpose of export resale or import goods for subsequent resale on the USSR domestic market, unless otherwise specified by existing regulations.

Measures for Operational Regulation of Foreign Economic Ties

9. For the purpose of a balanced development of foreign economic ties and improvement of the instruments of implementing the country's foreign economic policy, measures of operational regulation of foreign economic ties can be used in special cases—export and import restrictions and suspending the operations of participants in foreign economic ties.

Export and import restrictions are introduced for specific time periods for individual goods (work, services), countries, and groups of countries when this is required by the status of payment relations and other economic and political conditions, i.e. particular, for:

- regulating supply and demand on the USSR domestic market;
- fulfilling international obligations of the USSR associated with regulation of imports and exports;
- reaching mutually advantageous agreements at international trade negotiations;
- taking retaliatory steps to discriminatory actions by foreign states and (or) their unions.

These import and export restrictions are made by the State Foreign Economic Commission of the USSR Council of Ministers, on the recommendation of the USSR Ministry of Foreign Economic Relations jointly with competent state bodies, in the form of quantity or value quotas on imports or exports. All transactions made within the framework of filling these quotas are subject to licensing.

The setting of quotas does not extend to importing into the USSR goods for repayment of Soviet credits or for projects being built on the territory of the USSR.

The provisions of this paragraph do not apply to the export of products of joint ventures and international associations and organizations created on the territory of the USSR or to imports for their own needs.

10. The State Foreign Economic Commission of the USSR Council of Ministers, on the recommendation of the USSR Ministry of Foreign Economic Relations and the councils of ministers of union republics, suspends the operations of participants in foreign economic ties when unscrupulous competition takes place or when their activity is detrimental to state interests.

Decisions on suspending operations are made in the event of:

- violation of Soviet laws on measures of operational regulation of USSR foreign economic ties, non-observance of provisions of international treaties of the USSR, and also violation of the laws of foreign countries entailing economic or political detriment for the USSR;
- accomplishing foreign economic operations with the violation of prescribed legal capacity and also unauthorized commodity exchange (barter) operations;
- repeated failure to fulfill mandatory export deliveries with the simultaneous exporting of similar goods in other forms;
- exporting from the USSR at unjustifiably low prices or importing into the USSR at excessive prices;
- repeated export or import of low-quality goods;
- knowingly providing false information in advertising, customs, currency and financial, and registration documentation;

—in other cases of violation of Soviet laws.

The suspension of foreign economic operations may be accomplished in the form of a ban on execution of a specific transaction or a temporary suspension of all such operations of the violator for a period of up to 1 year.

A violator may also be given a warning without suspension of his foreign economic activity, or a licensing of import-export operations for a period of up to 6 months may be applied.

The decision on suspension may be changed or reversed if the causes of the suspension are corrected.

The provisions of this paragraph also apply to foreign companies and organizations committing the above-mentioned violations on the territory of the USSR.

11. Measures of state regulation of foreign economic activity are open in nature. The USSR Ministry of Foreign Economic Relations and the USSR Chamber of Commerce and Industry shall notify Soviet and foreign participants in foreign economic ties about these measures in a timely manner.

12. The USSR Ministry of Foreign Economic Relations shall submit for approval to the State Foreign Economic Commission of the USSR Council of Ministers the Regulation on Procedure for Licensing Operations in Foreign Economic Ties of the USSR, disseminating it to participants in foreign economic ties before 20 March 1989 through the mass media.

Footnotes

1. Participants in foreign economic ties mean enterprises, associations, production cooperatives, and other organizations directly involved in foreign economic activities, including consortiums, joint stock companies, trade houses, associations of business cooperation with foreign companies, other associations, and joint ventures and international associations and organizations created on the territory of the USSR.

2. The lists are not included in the BYULLETEN.—Editor's note.

Pros, Cons of Exporting Consumer Goods

90U10064 Moscow NEDELYA in Russian
No 39, 25 Sep-01 Oct 89 p 6

[Interview by Nadezhda Golovkova and Vladislav Starchevskiy with various officials: "Scarce Goods for Export: An Error or a Necessity?"]

[Text] In the first half of 1989 alone our country sold abroad 57.3 tons of soap, 648,000 refrigerators, 599,000 televisions, 384,000 irons, 11,700 tons of synthetic detergents. The list could be extended with other goods that are critically scarce on the domestic market—automobiles, vacuum cleaners, juicers. . . .

When we first learned these facts from the USSR State Statistics Committee, we were overcome by wholly understandable fury. How could this be? People spend months chasing after televisions, years standing on line for an automobile, have to present a coupon to buy a piece of ordinary soap, walk their feet off looking for laundry detergent in the stores, and here are thousands of tons, hundreds of thousands of the desired goods drifting away abroad. And this at the same time when the state spends hard currency to import the very same soap or detergent, issues licenses to export mass consumer goods, and sets up a customs barrier to halt the drain of scarce goods in tourists' baggage.

We also thought about how even in countries where the domestic market could in no way be called poor—for instance, in Japan—there are laws prohibiting the export of goods of which they do not have enough "for themselves."

Let us add a well-known fact: the prices our goods are being sold for abroad are, as a rule, lower than world prices. Aren't we selling ourselves short? And wouldn't it be better for us to sacrifice exports for the sake of defusing the tension over goods in our country?

We decided to address these questions to specialists representing various offices—export organizations, trade, Gosplan.

"Hard Currency Is Modern Technology, New Goods"

This is the opinion of G. I. Bocharov, director of the Elektrobyt firm.

Q: Gennadiy Ivanovich, what does your firm export?

A: Vacuum cleanders, air conditioners, washing machines, oil heaters, juicers, fans, a few other electrical appliances. The basic recipients are the Eastern bloc countries, a few developing countries.

Q: But we don't have enough of these things in our own stores.

A: You know, when we first started hearing objections about how we're shipping out scarce goods, exacerbating tensions, we tried to figure out whether that was the case. We figured out that the enterprises whose production we export on average send .5% of their production abroad. A few of them as much as 1%. Can that really undermine the domestic market?

On the other hand, without the hard currency they earn, many enterprises would not be able to purchase modern technology and equipment abroad that would make it possible to revitalize production, to increase production, to improve its quality. We lag too far behind the world standard. If we were to rely only on our own powers to come up with advanced technology, we would waste years, decades perhaps, and more than likely would simply end up lagging further behind.

Q: Not that long ago it became necessary to acquire licenses to export mass consumer goods. What have been the results of this measure?

A: I won't attempt to judge about other branches, but we, for example, were forced not to send thousands of vacuum cleaners to Morocco. I'm not convinced that that quantity will in any way resolve the domestic situation, and we have lost that hard currency. Another example: the new rules prevented the Uralektromash factory from finalizing an agreement with India on sending a shipment of vacuum cleaners there. In exchange the enterprise was going to buy technological equipment for renovating and expanding production. Judge for yourself what we won and what we lost.

Q: But judging from everything, we're still not doing that well at earning hard currency. After all, they don't buy our goods for the going price.

A: Price is quality. People often say: "Look, an American iron costs \$40-50, and ours sells for nearly ten times less. You're making a bad deal!" But you have to look at what kind of iron they have: it works off an accumulator, it doesn't need a cord, it is highly accurate at maintaining the selected temperature within a narrow range, it has a steaming device and other features. I'm not even talking about design, the quality of the materials. Can we compete as equals? I'm not talking about a specialist, any housewife will tell you: no, we can't.

Or another example: our apartment oil heaters. Their low-quality consumer features can be "compensated" for only by a low price. Then they will at least be bought by people, say, in developing countries who can't afford the more expensive, modern goods.

In order to sell more dearly, we need to emerge at a new level of production quality, and that, I repeat, cannot be done without hard currency. The enterprises seemed to have been given an opportunity to earn it, but the lion's share is still being taken away by the government. The factories are left with only an insignificant portion of the hard currency from their own exports. In order to accumulate a decent sum for buying advanced technology, for serious technical reequipment, enterprises have to save up for ten years. And even then there is always the worry that some pretext will be found for taking it away altogether.

Q: Where, in your opinion, is the way out?

A: It seems to me that we need to expand, not curtail, exports. But in doing this, over the course of, say, three years, we should let the enterprises keep all the hard currency they earn—on condition that it goes for revitalizing production. Then it won't be very long before we have more goods and attain a truly modern level and are able to satisfy our own stores with them.

So the exporter's position is clear. However, isn't it dictated by self-interests? What do the trade representatives, who have to deal with consumers on a daily basis regarding the lack of many goods, have to say?

"What Is Needed More: One Zhiguli Automobile or Several Thousand Pair of Stockings?"

We asked the deputy head of Glavkultbytorg, USSR Minister of Trade A. I. Kuryshv, to give this some thought.

"I don't see anything so terrible," he said, "in the fact that the country is exporting goods that are scarce in the domestic market. Of course, today everyone is concerned over the steady increase in scarce goods; after all, even production that was always more than sufficient is disappearing. But that is not the fault of export. Especially since overall it accounts for only 4-5% of all non-food consumer goods produced in the country. Only in a few cases (e.g., televisions) is it higher."

Q: But what if we were to give these percentages to our stores, so as not to irritate people more than we have to?

A: And break contracts? Imagine on one side of the scales a Zhiguli that we're keeping in the country, having violated our export obligations, and on the other, say, several thousand pairs of stockings from East Germany, which our women will not get as a result. And put this question up for a general vote: what do we need more now? I'm sure the stockings would win out.

This is not an abstract example. Our goods exports are directly linked with our goods imports. And if for all practical purposes we would not notice the return to the domestic market of the refrigerators, televisions, and washing machines that we are today exporting, then the loss of imported underwear, hose, underwear, shoes, those stockings, we would feel immediately. Although we are buying them for about the same sum that we get from selling heavy equipment abroad.

Q: You mean to say that our partners' response is predetermined?

A: Of course! For instance, we are under long-term contract with the Eastern bloc countries. If one party decides to break the agreement, then the other also will stop supplying its goods. I'm not even talking about the fines inherent in breaking long-term contracts unilaterally. And most important, I think, is our loss of face in a business sense. We would long be considered unreliable partners with whom it is not worthwhile to do business.

Q: Anatoliy Ivanovich, you said that we buy for approximately the same sum for which we sell. That means there still is some difference. Is it a plus or a minus for our domestic market?

A: That depends on how you look at it. The difference is an "investment" in the future goods of our own production: for this money our enterprises are buying equipment and technology abroad. We must sharply increase

our own output of high-quality goods. The rate of growth here is very low. For next year, according to the plans, growth comprises a little more than 20% more compared to the present year. That means an additional output of approximately 47 million rubles' worth of goods.

Q: Is that so little?

A: If you figure that the so-called delayed demand (in other words, the quantity of money held by the population for unsupplied goods) is reaching almost 100 million rubles, then it is clear: in order to stabilize the market the growth in goods must be twice as great.

Q: One concrete question that we cannot help but ask, especially since it relates to export and import both. Probably the most serious scarcity today is the lack of soap and laundry detergent. But early in the year there was much talk of importing detergent. What ever happened to all that?

A: We did in fact buy 470,000 tons of detergents and 200,000 tons of soap, which, by the way, is ten times more than in past years. There's the price of that terrific demand! But in the first half of the year there were problems with shipment, something went wrong with our suppliers. By the end of the year, however, we are supposed to receive the entire amount.

I don't think that laundry detergent is going to stir up the same old enthusiasm. According to our data, the majority of purchasers have already hoarded a year's supply of detergent. I just want to remind you: detergents with phosphates lose their properties after a year of storage. Perhaps that will keep someone from resupplying their stores.

So even workers in the Ministry of Trade, who are not particularly inclined to forgive industry its mistakes, do not see export as a destructive influence on the domestic market. What does USSR Gosplan think of this?

"We Need New Economic Stimuli"

This is what deputy head of a USSR Gosplan department, A. S. Neshitoy, thinks.

Q: Anatoliy Semenovich, are you also convinced that the export of mass consumer goods does not have an effect on the absence or presence of these goods in our stores?

A: Yes. In any case, it does not play any decisive role.

Q: But why, in concluding long-term contracts, couldn't some consideration have been made for what we could trade painlessly and what would have been worth "holding back"?

A: Within the framework of the Eastern bloc, we have agreed to cooperation by force of which we are obligated to supply our partners with heavy equipment and they to supply us with light industrial goods. That is how the specializations have taken shape. Although I must say that the basic mass of these goods we are still importing

at the expense of export of raw materials. In particular, now, in coordinating our plans with respect to the Eastern bloc countries, we are seriously tying up our supply of oil, gas, and so on with the acquisition from them of mass consumer goods.

Q: Enterprises that are exporting appliances, and, probably, not only they, feel that they are having too much hard currency taken away from them.

A: The deduction norms were settled upon at one time in consultation with various ministries. But if there are concrete suggestions, it is worth addressing them to the State Commission on Economic Reform. Of course, the existing stimuli in our economy are obviously insufficient.

Q: Doesn't it happen that enterprises that are not fulfilling the state plan for output of mass consumer goods make an even greater effort to sell them abroad?

A: The situation is more like this: they try to expand export without increasing their plan.

Q: We were told at the USSR Ministry of Trade that, working from the plan for enterprises, trade for the seven months of this year "overreceived" goods worth 2.7 million rubles. But if we compare the situation with the Gosplan control figures, then the picture is exactly the opposite: we are behind 3.3 million rubles' worth of production. Is it that the plants and factories are consciously lowering their own plans? Or were Gosplan's control figures unrealistic?

A: Absolutely realistic, but assuming intensive work. And the stimuli, the levers, that would compel the enterprises to work like that are insufficient. Gosplan is only now orienting them to the necessary level of production, allotting them the basic resources, and they are already making up their own plans. Of course, it's more profitable for them to take a lower plan that they are certain of fulfilling. Especially since apart from the basic resources they also need what the enterprises get through direct agreements with middlemen, and this involves numerous difficulties.

What is a lowered plan? It is a guaranteed prize for fulfilling contracted goals, above all for the administrative apparatus. We feel that we need to move on to other economic levers. For instance, award prizes for augmenting contractual obligations. Well, and it is possible to expand export to the benefit rather than the detriment of the domestic market.

As we see, all interested parties agree on one point: we need export, we need hard currency, in order to import goods, technology, equipment. That is, ideally export provides rather than deprives us. But the situation is as yet far from ideal. However you twist it around, everything is tangled in a single knot: the mass scarcity, the low prestige of our own goods on the world market, the desire of other enterprises to work on the domestic market without any extra pressure. And until we

untangle it, we are going to be stopping up scarcity gaps—either by curtailing exports or by increasing imports.

Development of Turkmen Foreign Trade Highlighted

18350031B Ashkhabad SOVET TURKMENISTANY in Turkmen, 13 Aug 89 p 3

[Interview with Beki Annayevich Annayev: "Towards Close Cooperation"]

[Text] The foundations of relations between the countries of East and West were laid centuries before the Christian era and continued their development along the Great Silk Route.

The peoples of the powerful states of Asia were in trade competition with each other. Rivalry for profits contributed to the exchange of goods and the rapprochement of peoples.

The necessary conditions for peace were created in the Asian corner of the world for the success of the traders at this time.

Thus, talks and mutual understanding, preserved century after century and passed from generation to generation, continued to develop. Caravans from Khotan, Yarkend and Kashgar heading for Samarkand, Bukhara and Maru-Shakhu-Jahan then turning south by way of Balkh, Hamadan and Damascus to Aleppo and finally moving West, to Istanbul and Venice, were not limited only to the exchange of goods, but also supported an active relationship between the peoples of both East and West.

Today such relations are broadening their scope. The fresh wind of perestroika has changed the cooperation of peoples, their ancient relationship, into a tradition. The recent trade relationship and direct relations with foreign countries was not implemented without permission from Moscow.

Now independence in the full meaning of the word was given to every republic with equal rights and legally guaranteed by law. Who one trades with, what one sells or buys, and what directions mutual cooperation will take—all these are the business of the republics. Readers are interested in knowing about the Turkmenistan Soviet Socialist Republic's cooperation with other countries. Thus, we have turned to Beki Annayevich Annayev, deputy chairman of our republic's Council of Ministers, with questions pertaining to cooperation with foreign countries.

[Question] Although trade cooperation and cultural relations with foreign countries primarily helps to spread the Turkmen name widely, it basically gives a great stimulus to economic strength. What can one say about the scope of such cooperation in recent years?

[Annayev] At present more than 60 plants and organizations of our republic are sending 50 of their products to more than 50 countries of the world. In the last three years alone our republic's factories have sent goods valued at 500 million rubles abroad, of which 253 million were sold in 1988 alone. Thus, the amount of products sent abroad in 1988 increased by 3.6 percent in comparison to 1985. In 1989 it is planned to export between 230-240 million rubles of goods to foreign countries.

[Question] The readers, of course, are interested in what Turkmenistan is selling abroad.

[Annayev] Products such as our world famous hand-woven rugs, cotton, race horses, Karakul skins, liquorice root, cocoons and chemicals bear witness to our potential to maintain basic and continuous economic relations with foreign countries.

[Question] True, when we say products these are the Turkmen things that we mean. We have been well known for these valuable products in Europe and Asia since the creation of the Silk Route. Other than these, what other goods can we send to others?

[Annayev] There are many other goods to sell. Let me talk about crossborder trade as an example of cooperation. Within recent years the scope of crossborder trade between the Turkmen SSR and China has been increasing from day to day; in 1989 alone the amount of trade turnover equalled 10 million rubles of the crossborder trade. They bought mineral fertilizers, domestic electrical products and other raw materials as well as machinery and equipment, childrens clothing, knitwear, textiles and consumer goods.

An active trade relationship with the Main Company for Crossborder Trade of Harbin in Heilungkiang Province and the Harbin branch of the China Company for the Import and Export of Local Products has been set in motion.

[Question] If the cooperation of peoples were to be expanded without being limited to the exchange of goods or trade, it would be especially good.

[Annayev] Certainly. We are holding talks with our Chinese friends not only about crossborder trade, but also about producing mineral fertilizers on a mutually profitable basis, the manufacture of downy fabrics and the construction of tanneries. Similarly, last year an agreement was reached between the two republics on scientific-technical cooperation in resolving questions on seismological research, underground research, animal husbandry and cotton technology, on the use of solar energy and other issues. Crossborder trade with Afghanistan is also increasing, and talks are being held on initiating and reviving crossborder trade with Iran.

[Question] Beki Annayevich, in your capacity as one of our republic's leaders, could you answer a precise question? Afghan and Iranian Turkmens are asking about

permission to journey to the fatherland and are expressing their enthusiasm to see their changing fatherland. But they are losing a great deal of time coming and going.

[Annayev] Certainly, knowing about the fatherland and seeing it with one's own eyes would be a great joy for those separated from the country. The government of Soviet Turkmenistan is deeply concerned about the visits of Turkmens living in other countries due to various historical reasons. Recently talks on crossborder relations were held between government leaders of the Islamic Republic of Iran and representatives of bordering socialist republics. At these meetings there was basic discussion on initiating relations to the interest of all sides. A definite decision was reached to create customs houses, or new border crossings, to expand existing ones, and to build roads.

I must state to all compatriots who wish to come to Soviet Turkmenistan that the doors to the fatherland and our hearts are always open. For the fulfillment of their wishes glasnost and honest actions by the governments in which they live is needed.

[Question] Beki Annayevich, at this point we have to note the total improvement in Soviet-Iranian cooperation. Seventy years have passed since the Soviet government recognized the state of Iran. During this period our relationship with our neighborhood has sometimes been cool, sometimes warm, but have never been cut off entirely. Today we can say that our relations are significantly stronger. It is sufficient to mention the frequency of meetings between the leaderships of our countries.

[Annayev] Turkmenistan is not excluded from Soviet-Iranian cooperation. Cooperation between our republic and Iran includes many branches of the economy, of which the most important is oil and gas exploration. In May representatives from the Turkmengazindustriya organization were in Tehran, Tabriz and Shiraz with a view towards longterm, bilateral agreements on locating and drilling for natural gas deposits.

Cooperation between our and Iranian scholars in problems of deserts is helping in mastering the deserts of the neighbor country and in preparing specialists in this sector. Representatives led by Khan Akhmedov, first deputy chairman of the Turkmen SSR Council of Ministers signed an agreement on building the Tejen-Saragt-Mashhad railroad into this country. We would note that this agreement is especially important for the strengthening of bilateral cooperation.

[Question] You spoke about bilateral cooperation. Factories, plants, firms and companies to be built through the joint efforts of both countries must be the most important for the parties in international economic cooperation. In my opinion, joint cooperation should have a positive influence on bilateral economics also.

[Annayev] True, it should have a positive effect. On this basis, the Ashkhabad consumer goods production organization of the Turkmen SSR Ministry of Local Industry has signed an agreement with Premier Vinyl Flooring Lt. of India on the joint construction of a factory which will produce artificial leather, wall paper and linoleum in Ashkhabad. The Turkmen SSR Agroindustrial Committee has signed an agreement with India's Neramak company to study the possibilities of jointly constructing two factories for producing and bottling fruit and vegetable juices.

Trade-economic, scientific-technical and direct manufacturing agreements with foreign countries are taking on a broad scope in the republic. With the objective of developing the types of cooperation mentioned above, reaching practical solutions and constructing joint manufacturing facilities, our republic's ministries and administrations have been holding bilateral meetings with representatives of Poland, Hungary, the German Democratic Republic, Yugoslavia, China and others, and advisors have noted that they are discussing questions raised in detail. Renovations have been carried out at the Mary leather processing factory with the help of the Yugoslavs and new equipment has been installed. Other than this, talks are being conducted with Japanese firms to purchase equipment for agricultural products which will be exported, with a Turkish firm for the joint construction of a leather goods factory and with French firms for joint factory construction projects.

The Turkmen SSR Ministries of Light and Local Industries have also been examining questions together with firms in Italy, India, China and Yugoslavia for the joint construction of plants which will manufacture consumer goods and reprocess agricultural products.

[Question] In other words, we will soon be coming across signs bearing the names of a number of foreign companies in various parts of the republic and see them in the trade network and when we travel abroad it will be possible to see goods from Turkmenistan.

[Annayev] Certainly this will become a normal situation. Soon a store belonging to Iran's Eastern Trade Group will open in Ashkhabad, and our store will open in Mashhad.

The exchange of products on the basis of mutual agreements between the Turkmenistan SSR and stores of the socialist countries is growing. Scientific and technical cooperation with socialist countries will grow even more in the republic. It is being implemented within the bounds of Comecon's multilateral and bilateral agreements, and through the joint initiation of scientific-research work. For example, research of the preservation of nature and the problems of deserts is being conducted jointly with industries and organizations in Mongolia, Poland and Czechoslovakia. The possibilities of building a joint plant for the exploitation of solar energy are being explored.

[Question] Scientific and economic agreements, and relations on an equal basis with developed countries of the world testify to the scope of our present level. Does this mean our products are capable of competing in foreign markets?

[Annayev] Your observation is good. Up until today 12 plants expressing the wish to initiate cooperation with foreign countries have been taken into account.

The initiation of close trade-economic and scientific-technical cooperation with foreign countries will, on one hand, strengthen our international friendship and direct relations, and, on the other, create the conditions for the improvement of the economic situation of those plants and make it possible to use the valuta received from

those goods sent abroad to purchase new machinery and technology, medical equipment and medicines and other consumer goods for the collective. As a consequence, it will help to improve the situation of the people.

However, there are many shortcomings in this issue. There is a cadre shortage. Administrations, factories and ministries are not acting rapidly in this area.

With the goal of developing our economic relations with foreign countries "Turkmenintorg", or the foreign trade organization, has been established. In short, our basic line is cooperation and good friendly relations.

[Question] Many thanks for your talk.

Stankoimport Foreign Trade Activities, Problems Described

904G0014A Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 27 Dec 89 p 3

[Interview with Vladimir Marinin, "Stankoimport" director general, by I.Klemenko: "We Are in the World Market"]

[Text] Three years ago the "Stankoimport" all-union foreign trade association was transferred from the USSR Ministry of External Commercial Contacts to the Ministry of the Machine Tool Industry. What are its new functions, how does it carry out its responsibilities? This was the question we asked Vladimir Marinin, director general of the association.

[Marinin] For most Soviet producers, the foreign market is a great unknown. Experience has shown that the most progressive forms of activity are stockholder-owned firms, joint ventures and other forms of joint activity. But both in the Soviet Union and abroad, partners often cannot find one another. This is when we come to the rescue. In the past year alone, four such firms have been formed in the FRG, and the total number of stockholder-owned businesses with the participation of Soviet machine tool-building enterprises exceeds 10.

[Question] What is the purpose of these businesses?

[Marinin] The most important one is to bring Soviet machine tool-building enterprises closer to the European market, to make them understand what the market currently wants. In particular, this refers to construction, design and other features which are the criteria of external market requirements. Communication is very difficult. A plant in Orenburg, for instance, would not find a partner in an Australian state if it acted on its own.

[Question] It is known that the European market is flooded with goods. How can we find a niche in it?

[Marinin] The European market, while it is indeed complex and flooded with goods, is also large. Moreover, Soviet machine tools have always had special features which helped us sell them. What are those features? Our machine tools are durable. They help achieve high productivity and can be worked intensively. In short, there is demand for them.

[Question] In recent years, our machine tool builders have been criticized so much that many may have developed an inferiority complex. They may think that they are inadequate and unable to produce competitive equipment. Yet, according to you, there are entities which can trade with the West.

[Marinin] Yes, of course there are. If there had been no such entities, our exports would not have grown in recent years. I use the term "competitive" somewhat differently than is customary in this country. In my opinion, the product is competitive if it has a market. It does not

mean that the product must be up to highest international standards. The world market is very diversified. Western firms very often do not compete with each other because they sell to different customer groups. We also have our customers. Our equipment has a good reputation which everyone knows and which we have earned. This is why I think that the most important thing is to find a buyer. For instance, there is a steady demand for multi-purpose machine tools.

[Question] Which we have stopped producing all of a sudden.

[Marinin] This is true. We are cutting down production. But the market wants them. For instance, 30 percent of machine tools sold in Britain are multi-purpose ones. It is no accident that the West German firm "Macho," which makes top of the line processing units, also produces manually operated multi-purpose machine tools. They do so because there is demand for them. This does not mean that we should become purveyors of second-rate equipment. But if a market exists, it is stupid to walk away from it. We should earn hard currency using the skills we have, and use it to raise our technological level. This is our strategy.

[Question] What is currently the worst impediment?

[Marinin] Defects in the existing foreign trade structure. Trading firms help react flexibly to various market trends. But for a trading firm to be able to trade successfully, a number of general issues must be resolved. The firm's relations with state entities, such as the USSR Ministry of Finance, should be based on total economic independence, with taxes, including those denominated in foreign currency, set on a long-term basis. There is also another problem. Double accounting, in rubles and in foreign currency, should be abolished. Foreign currency must be an integral part of accounting at enterprises which earn it. The world over, the exporter holds its own foreign currency. The state taxes it at a rate applicable equally to all other enterprises. In this country, however, different players in the foreign trade field, such as joint ventures, ordinary exporters and partners in cooperatives, pay different tax rates. Who needs all this confusion? It encourages people to seek loopholes. We need a streamlined system. Any machine tool builder earning hard currency for its output must pay a state tax. Period. A general, permanently set tax would help our enterprises keep their books properly and conduct their business and financial activities competently. This would allow foreign firms to size up their Soviet partners. They would know with whom they can do business and with whom they cannot.

And one more issue, that of poor communications. Enterprises find life difficult without international fax, telephone and telex facilities. We are trying to use all our resources. We have recently set up a trade agency with our GDR colleagues. It has become an accepted practice that whenever an issue must be settled with partners in the GDR, a trip to the GDR is required. It is no accident

that business travel abroad has risen so sharply. Trade attaches complain that business travelers are coming fast and thick. What for? Contacts can be made without going anywhere. From now on, a Soviet enterprise wishing to do business with the GDR, to sell or buy something there or to settle any commercial or technological problem could contact our joint center in Moscow; the same refers to machine tool builders in the GDR, where a similar center opened in Berlin. This method is more effective and direct. We use this method for our stockholder-owned companies and our technical and trade agencies in 44 countries. This is why we are working to set up a USSR-FRG technological agency, which will help involve small and medium-sized firms in joint business activities.

[Question] You say that after your association was transferred from the foreign trade entity to the Ministry of the Machine Tool Industry its results have improved. Can you cite a concrete example?

[Marinin] In the first year, exports grew by 44 percent, in 1988 by 16 percent and this year by 25 percent.

[Question] And what was the increase in your staff?

[Marinin] None. On the contrary, our staff has shrunk. Export growth was attained by organizational work, by establishing closer ties with enterprises and involving them in external business activities. I must admit that the amount of work at the association has increased tremendously. The number of customers in this country is sharply higher. The number of small transactions and tasks, including banking, financial, service and marketing ones, has jumped. Computers are being introduced, but we are still groaning under this burden.

[Question] Vladimir Ivanovich, in 1987 you increased export deliveries by nearly one half. How did it reflect in employee compensation?

[Marinin] It did not. There has been an increase, of course, but totally out of proportion with the results of their labor. Existing forms and methods of compensation for employees of foreign trade associations provide no incentive for increasing foreign trade and cause a flight of skilled employees to joint ventures and various business cooperation associations. The association is officially on economic accountability. But it is a curtailed, inadequate form of economic accountability. The USSR Ministry of Finance sets our staffing requirements and salary fund.

[Question] It appears, then, that while the state has permitted you to manage millions in your contacts with Western partners, you at your own complex, even though it is based on economic accountability, cannot make an independent decision about a single employee or a single ruble?

[Marinin] We have a staffing limit of 421 employees and not a single employee can be added over this limit, regardless of our results. A paradoxical situation arises: if

tomorrow we sign contracts with 1,000 partners, not just 200, we will not be able to service them.

[Question] In other words, you are being asked to develop exports and to seek new partners, but in reality your hands are tied?

[Marinin] For some reason, we are considered part of the bureaucratic management apparatus. This is why our staff is being cut. But we have nothing to do with bureaucrats. We supervise nothing and our partners work with us voluntarily, on a contractual basis. We are considered an all-union association based on economic accountability, but our budget is set by the USSR Ministry of Finance. If we go over budget, financial sanctions are applied, regardless of results. There is no shortage of resolutions meant to free up foreign trade associations, but the USSR Ministry of Finance, the USSR State Committee on Labor and the USSR Gosplan interpret them differently and delay their implementation.

[Question] In short, you are called an economic accountability-based association but in fact are a purely budgetary organization?

[Marinin] This is indeed so. The level of financial and business independence of the association and its enterprises is immeasurably lower than that of our foreign partners. Yet, in order to be efficient, we should be on an equal footing with them.

Here is another relevant point. We have no independent funds, either in rubles or foreign currencies. We cannot help our enterprises in any way. For instance, we cannot give them short-term credits.

[Question] You manage millions but cannot spend a thousand rubles?

[Marinin] It is true. We have no financial independence. A shareholder-owned corporation would allow us to engage in such operations. All foreign commerce associations are in the same boat. This is why we have come up with concrete measures and submitted them to the government. But what did the Ministry of Finance do? It seems to support us and has let us organize such a corporation. Yet, the following resolution was written on the draft of our proposals: "Foreign trade associations are covered by the same accounting principles and budgetary relationships in foreign trade transactions as enterprises."

[Question] In other words, the new proposal has been killed?

[Marinin] Precisely. A single decision vetoed everything. Without the support of the Ministry of Finance, our proposals would not be considered. We are back at square one.

The Ministry of Finance is adept at setting impossible tasks. They told us: "You have established a shareholder-owned firm, but the building in which you work was built by the state. You must either buy it paying its

depreciated value or rent it." Yet, they know that we have no independent funds. In other words, we cannot pay.

In this country, trading firms set up at all-union associations must become the core of foreign trade activities.

Yelabuga, Fiat Agreement Detailed

90UI0217A Moscow SOVETSKAYA ROSSIYA
in Russian, 13 Dec 89 p 3

[Article by TASS political commentator Albert Balebanov for SOVETSKAYA ROSSIYA: "The Car They Are Waiting For—Fiat in Yelabuga"]

[Text] What lies behind the dry sentences of the informational reports on the economic agreements signed with Fiat—the leading industrial concern of Italy—during the recent visit of M.S. Gorbachev to that country? That is what I wanted to clarify when I went to a meeting with executives of the Fiat mission in the USSR, Gustavo di Gropello and Carmelo Cottone. As a motorist I was very interested in the details of the deal.

There is no doubt that Fiat will participate in the creation of a joint venture for the production of passenger cars in Yelabuga based on the local auto plant being built there. And that is despite the fact that the document signed in Rome is called a memorandum of intent. The signing of the corresponding agreement is all that remains to be done, and moreover no sooner than in 6 months. As for the second document—a memorandum on collaboration that envisages the participation of the Italian concern on commercial terms in the building of capacity in the 1st and 2nd phases of the Yelabuga Auto Plant—representatives of Fiat in Moscow are saying that the final decision of the concern's directorship will be determined only after the detailed study of the proposals advanced by USSR Minavtoselkhoz mash [Ministry of Automotive and Agricultural Machine Building] on that score.

"Our firm is serious. And our attitude toward all business proposals should thus also be serious. Fiat specialists will carefully study and analyze all aspects of the proposed collaboration and make their recommendations to the directors, who will have to make the final decision," emphasized G. di Gropello. That is approach is understandable and entirely justified: no self-respecting Western businessman would enter into any agreement without having carefully weighed all of the "pluses" and "minuses" or calculating all of his subsequent steps. This rule is all the more valid for a major firm.

"When it was proposed that we take part on a commercial basis in the creation of the Oka-2 model cars of the Yelabuga Auto Plant," said C. Cottone in joining the conversation, "Fiat said that since some of the output will have to be sold outside the Soviet Union, the vehicle should conform to the requirements of the Western

market—which we know well—in its styling and aesthetics, contemporary technical equipment and internal sophistication. The idea was thus born of joint Soviet-Italian production based on the plant in Yelabuga."

What will the new jointly produced Soviet-Italian car look like? This vehicle, the representatives of the concern reported to me, has temporarily received the code name of "A-93." The start of output is proposed for 1993. Some of the mass media are asserting that the vehicle will be created on the basis of the Fiat Uno. But that absolutely does not correspond to reality. The decision has been made to create a completely new automobile whose prototype will be undertaken jointly by Soviet and Italian designers. The lofty reputation of the Italian designers—some of the best in the world—is well known: they are often invited over by the leading American and Western European automobile companies to create their own contemporary car models. The Fiat specialists, by the way, have a very high opinion of the designers of the Volga Motor Vehicle Works in Togliatti. It is nice that this was not said for effect or for the sake of politeness.

In order to gain somewhat of a picture of the principles for the shape of the future model, we have decided to offer the readers one of the most likely directions of work on the future design—the Fiat Panda model. For those not familiar with the external appearance of that vehicle, we suggest looking at the photograph we have published that has been taken from the Fiat catalogue [not reproduced]. I repeat, however, that the Soviet-Italian vehicle will not be a copy of the Panda: only certain general tendencies in look and insides will most likely remain from it.

It is already clear, however, that the new car should have a station-wagon body style with 3 and 5 doors. The car will be 3.45 meters long, and its unloaded weight will be 640 kilograms. It has been decided to limit the volume of the engine cylinders to 1,000-1,100 cubic centimeters and the top speed to 150 kilometers/hour.

Despite the relatively small dimensions of the car, it is being proposed that it be quite roomy inside, and in any case the passenger in the rear seat will not feel any substantial discomfort. The car's interior will be finished with the most modern materials, and it is proposed to make the dashboard simple, reliable and convenient.

I would especially like to dwell on the problem of the engine for the new car. A modern engine has been designed at AvtoVAZ that the Soviets are proposing for the A-93. No one, including representatives of Fiat, denigrates its merits. But can a unit that has not yet demonstrated its advantages in long-term operation be put into the new car, and can the commercial success of the car be counted on therein? The Italians in the future joint venture answer this question in the negative.

Fiat, so as to meet the deadlines for the start of production of the new vehicle that have been stipulated in the memorandum, is proposing that its own 4-cylinder

engine—which has shown itself well—be used in the car, with its production set up in Yelabuga. The concern has already produced some 4 million copies of this engine, which has literally taken the Western market by storm. They feel at Fiat that they cannot take the risk of an engine that has not yet demonstrated itself, even if it is an original one most contemporary in design and scientific thought. If you are starting a business, you start it with something reliable, which would guarantee quality and demand. The Italians feel that the question of the engine is being approached in different fashion on the Soviet side: engineering reasoning and the prestige factor dominate their stance. The problem of the engine for the A-93, in brief, has not yet been resolved.

"We proceed in our work on the new car from the fact that this is joint Soviet-Italian collaboration at all stages, starting with the modeling of the car and ending with the sale of our product and the provision of Western parts and post-sale technical support for the vehicle," emphasized G. di Gropello. "It is being proposed that some of the output be sold abroad, in the Western market, as the fruit of Soviet-Italian production. It has been decided to sell the vehicle through the extensive Fiat dealer network. All steps by the joint venture will be undertaken with the full consent of both parties. That is one of the fundamental conditions of its functioning."

It became clear to me from my discussions with the authorized representatives of Fiat in Moscow that our Italian partners are taking into account the sorry experience of post-sale support for the Zhiguli produced by AvtoVAZ, and they are doing the maximum to see that the future owners of the new compact cars do not experience difficulties either with spare parts or with technical servicing and repair of their vehicles. This equally concerns monitoring the quality of the operations being performed, all operations starting with the production of the car and ending with repairs.

"The prestige of Fiat has been put on the table. And we are taking that fully into account. The word Fiat will figure prominently in the name of the new car right alongside the Soviet word. And that places on us all of the moral and other obligations that arise from our reputation. The presence of the name of our firm will in and of itself be a guarantee of quality and efficiency," sums up di Gropello. This aspect of the future activity of the Soviet-Italian motor-vehicle venture, against the background of the torments of today's Zhiguli owners, is of course being perceived with especial satisfaction.

Most curious is the fact that the sale of the car abroad will be accomplished through the Fiat dealer network, which will force AvtoVAZ, which sells the Lada outside the USSR through its own local dealer network, to work effectively at raising the quality of the Lada.

Obstacles to U.S.-Soviet Trade

18120021 Moscow MOSCOW NEWS in English
No 45, 12-19 Nov 89 p 13

[Article by Andrei Kuteinikov, Cand. Sc. (Economics), New York: "How We Trade With America"]

[Text] Despite changes in our foreign economic relations, American partners have not yet noticed any significant changes in the Soviet manner of doing business.

No doubt they are a little prejudiced by the habit of regarding the USSR as a market where there is a shortage of information, a lack of proper skills, bureaucratic delays, a market which suffers continuing restrictions by the USA. All this makes our potential partners in the USA take a wait-and-see stand.

But Soviet organizations are not showing a persistent interest in the US market. Accustomed to a goods shortage in their own country, many of them think that Soviet commodities will find their own way to the US market as soon as they're offered.

This is what Yuri Mashkin, president of the Amtorg American corporation, representing the interests of Soviet economic organizations in the USA since 1924, thinks about this approach of Soviet exporters. "The American market is spoilt, it can buy the goods it needs in any country. The seller simply adapts to the buyer and not the other way round. Let's take, for example, our new vodka Kristall. There is a great demand for it in the USA, which we cannot meet: according to American standards, the bottle must be perfectly clean, which is hard to achieve in the USSR. Or take Soviet honey: it tastes better than any other brand on sale today in the USA, but it cannot be sold there because it crystallizes easily, which is not allowed by American standards."

Particularly disagreeable are cases where the rules of business ethics accepted in the USA are violated. As ever new Soviet organizations enter the US market, such cases are becoming rather common. Thus, Arthur Goldstein, joint owner of one of the oldest export-import companies in New York, was unpleasantly surprised when, after reaching an agreement with a Soviet producer on marketing the latter's produce in the USA, he launched an expensive publicity campaign only to find out that the Soviet partner had granted the marketing rights to another US company. Without spending a cent on publicity, the rival made use of the demand created by Goldstein and, profiting from the consequent lower costs, began to oust Goldstein's company from the market. He was just as surprised by the striving of Soviet organizations to avoid long-term business cooperation: "I can't launch publicity campaigns without counting on long-term goods deliveries from the USSR. Single deals do not compensate for the marketing campaigns." But it looks as if many Soviet enterprises regard entry into the US market as an emergency measure, needed only to earn hard currency for new machinery. As soon as this aim is achieved, they try again to withdraw to the Soviet

market where everything can be sold for roubles of course, but without any trouble.

In America, however, there are businessmen who sincerely hope to establish reliable and mutually advantageous business contacts with our country. They are former Soviet citizens who not only know the peculiarities of Soviet management and economics, and speak the same language, but also have much greater patience when confronted with our style of doing business.

One of them is 60-year-old John Ross who left the USSR in 1974. The joint venture Mono-Al, which he established with one of the Riga cooperatives, began functioning last spring. Mono-Al produces condoms. A great deal has been written about this commodity in our country, where for every adult man an average of only three condoms a year is produced, and this with the mounting AIDS epidemic and the absence of any other form of contraceptive.

It would seem that the joint venture should be given the green light, but nothing of the sort! A ministry bureaucrat refused to confirm that his predecessor had given written permission for export from the USSR of waste materials needed abroad for the manufacture of packings for condoms. References to the AIDS epidemic had no effect on the official: "I am not of an age to be worried about the shortage of your goods." It looks as if there are people with a similar understanding of state interests at the Leningrad marine customs. Not only were the contents of two containers with equipment and finished products sent by Ross's company for sale on the Soviet market (until Mono-Al starts production there) stolen but the customs kept the containers, and made Mono-Al apply to the Procurator's Office.

Who stands to gain from this? The country, the joint venture or the customs which have gone over to a self-financing system? No one is going to pay, with money and career, for the economic damage caused to all. Therefore, such situations are a rule rather than an exception.

Yuri Mashkin also agrees with this. He says that for several months now central economic departments have not been able to solve a very simple problem. Still in force is the regulation according to which joint ventures on USSR territory cannot sell their goods inside the country for hard currency if the state, not the organization, owns the currency. The Lvov association Mayak and an American company have set up a joint venture to make ladies jackets for export to capitalist countries using imported materials and American moulds. The venture is prepared to sell some of its goods to the USSR Ministry of Trade, but for hard currency. The ministry is only prepared to pay roubles. What's more, the ministry is buying similar goods from abroad at a price considerably higher than that offered by the Lvov enterprise.

Why such an absurd situation? According to the plan, hard currency must be spent only on buying imported goods and cannot be paid to a manufacturer on USSR

territory, since purchases in the home market are not qualified as imports. In this case, to avoid violating instructions, as happened until recently with grain imports, it is much simpler (though costlier) to buy goods abroad than at home.

The Americans whom I spoke to about this did not want to believe me. The federal departments in the USA, spending money from the state budget to buy goods from private companies, have to give preference to home manufacturers if the imported commodity is not substantially cheaper. Isn't it time for the Supreme Soviet to insist on using this principle in our country too? The more so since the state feels, as our Prime Minister told the people's deputies, a great shortage of hard currency. This will probably make our potential foreign partners increasingly confident of the logic of Soviet economic legislation.

Soviet-Netherlands Agricultural Project Praised

90UI0062 Moscow *LITERATURNAYA GAZETA*
in Russian No 42, 18 Oct 89 pp 1-2

[Article by Fedor Burlatskiy: "The Dutch Project: From the Deputy's Tribune"]

[Text] As has already been reported in the press, Comrade N. I. Ryzhkov has given the green light to a Soviet-Dutch plan to create family farms near Moscow. During a meeting that included the governor of one Dutch province Mr. Johannes Lammer, the visible public figure E. van Eigen, and representative of the Sebeiko cooperative Mr. Frantz Holstein, and to which I was also invited, the chairman of the USSR Council of Ministers expressed support not only for the plan but in general for forms of agriculture that have not been traditional for us. On Sunday, Dutch government minister van Lenkap arrived in Moscow, and in November a group of experts is slated to come help work out a precise model for this new form of cooperation between our two countries.

Wherein lies the novelty in this plan? First of all, in that it has seen the light of day at all. This initiative had its conception not in business circles but within the framework of humanitarian cooperation. For two years Ernst van Egein and our commission on humanitarian cooperation and human rights (SKEBS), with the participation of representatives of 13 countries of Europe and America, have been laying the foundation for an international organization to be called the "East-West Conference on Human Rights." We have held several meetings related to the execution of the Helsinki and Vienna documents.

Thus, in the course of discussing our further plans with Ernst, the idea for our present plan was born: isn't there some way we could lend substantive aid to the Soviet Union in the most sensitive of spheres of social rights—in overcoming the acute agricultural problems? Need it be said that the Netherlands possess unique capabilities in this sphere? A single Dutch farmer feeds 123 people,

whereas one of our peasants, according to various calculations, feeds only 5 or 7. The Dutch are the foremost exporters of dairy products in the world, and they are leaders in vegetable production, in scientific seed production, and in hothouse agriculture.

Our conversation with van Eigen took place in May of this year, and by July I had received a proposal from him stating that, for starters, the Netherlands is prepared to lend 500 million guilders (\$250 million) toward these goals. At van Eigen's request I communicated this offer to the leadership of the USSR Supreme Soviet and enlisted their support.

During the parliamentary recess I was invited to the Netherlands, where I got to visit a good dozen farms and cooperatives. Dutch television filmed our trip with the Soviet ambassador in that country, A. D. Chkhikvaidze. On the streets of Amsterdam I was greeted in a humorous fashion: "Hello Mr. Potatoes," since they showed us in the field carrying new potatoes.

The most interesting—practically a ready model for us—is A'iselmeerpolder. This is a large area of land, won back from the sea, measuring 200,000 hectares ("polder" means land lying below sea level, usually by 4-5 meters). This land, while maintained as government property, is transferred to farmers and cooperatives for permanent possession and use. The farms are usually 50 hectares. In the course of ten years they have become probably the most profitable in the world, thanks to strict screening and training of farmers, a well thought out system of financing, and a high level of government organization.

This is the kind of ready experiment that—not mechanically, of course—could be put at the base of the Soviet-Dutch plan. I had the opportunity to participate in several important meetings with representatives of banks and the government in Holland and was convinced that the Dutch are prepared to work together with us to realize this plan. Here yet another important detail comes into play. Before, they simply sold us the technology or the seeds and bore no responsibility for the results. Now they are going to participate in everything on a joint basis: erecting homes and service buildings,

building roads, screening and training farmers, in large- and small-scale mechanization, in scientific research, and so forth.

One more detail. This is a major plan, vastly surpassing all previous ones. We are talking about apportioning for a start 25,000 hectares around Moscow and settling on this land approximately one thousand farmers, including one or two dozen Dutch. According to our calculations, the result of these farms' production should be sufficient to supply the entire population of Moscow with potatoes and early vegetables.

I will not hide the fact that I had serious doubts at first. How would Moscow react to the idea of creating family farms? It is even more surprising that this idea found full support. First secretary of the Moscow Oblast Party Committee Comrade V. K. Mesyats reported that two large areas near Moscow have already been marked out for the project. Starting 1 May experimental plots are to be put into production. After that the whole plan will be implemented by stages.

Thus, a major new social experiment with family farming, of which so much has been written recently, is taking on life. It would be wrong to delude ourselves with the support the Dutch plan has received in the upper echelons of power. Based on the experience of past years, we cannot discount serious resistance, myopia, and inaction at the middle and lower levels. It is no accident that our partners have demanded so insistently a "direct line" of communication with the government. It has been promised. But, undoubtedly, greater efforts will be needed on the part of the organizers and greater attention on the part of the public if the fledgling experiment is to become a model for emulation in different regions of the country.

To the Dutch perestroika enthusiasts I would like to say that perhaps it will be the Netherlands—much as almost three centuries ago under Peter the Great—that will have a significant impact on our domestic development. West Germany has already become our chief partner in industry. The Netherlands possess every capability of becoming our chief partner in agriculture, in helping us resolve our most critical problem: food.

Anti-Soviet Incidents in Poland Cause Concern

90UI0212A Moscow TRUD in Russian 12 Dec 89 p 3

[Article by Yu. Skvortsov, TRUD staff correspondent in Warsaw, in the "Letter From Poland" column: "Are There Not Enough 'Unexplored Areas'?"]

[Text] When you carry on a conversation with Polish friends about instances of anti-Sovietism, they usually say:

"These are isolated and minor youth rebellions. But then young people are fiery and impulsive throughout the world. Mature Poles condemn such political hooliganism—on the whole, their attitude toward Russians, toward the Soviets, is very cordial, especially now that you have *perestroika*...."

Indeed, the main participants in all sorts of demonstrations, picket lines, public book burnings, and monument desecrations (such acts have become especially numerous lately)—these are primarily school pupils and students, those 14 to 18 years of age. Essentially they are still children. But they are children who have mature parents! And the latter, on the whole, if one is to believe the friends, are cordially inclined toward the USSR?

So what is the source of this strange disparity in outlook between children and their elders? Can it be that the crux of the matter is not in the generation gap at all?

Let us recall a quite recent incident.

On 17 November, the attention, not only of Warsawans, but of all Poles as well, was riveted on a sensational event: The Feliks Dzerzhinskiy Monument in the capital was taken down. Seemingly, the reason for this was purely technical: Work to construct a new metro station had to be instituted soon on that very spot. However, the mayor of Warsaw's order was unmistakable: Dismantle the monument and send it to a storage facility. People who understood perfectly well what was what either threw up their hands expressively or rubbed them together with pleasure—in this case, it depended upon their attitude toward what was done. But how did the mass information media behave?

It must be said bluntly: They adopted a mocking tone inappropriate in such a case. Take the daily newspaper *GAZETA WYBORCHA*, *Solidarnost's* main periodical, for example. It reported the monument's dismantling schedule to its readers: On 17 November, "removal of Feliks Edmundovich's head" will occur between 0900 and 1000, "Dzerzhinskiy's torso will be loaded on a truck" between 1000 and 1100, and "the secret police [ChK] chief's feet will touch the ground" between 1100 and 1200. And what striking photographs were in many newspapers next day! How sarcastically the television reporting was done about the process of turning the monument into a pile of concrete!

F.E. Dzerzhinskiy was a Pole, and, of course, Poles may have their own opinion of Dzerzhinskiy and openly

express it. That is their right. However, we Soviets have our rights to Dzerzhinskiy also—and no lesser ones than the Poles in Poland. Therefore, the fact of the monument's elimination in Warsaw concerned us as well, and it also hurt our feelings, including our patriotic ones. I think that a sizable fraction of our society, having found out about the monument's demeaning removal procedure in Warsaw, would hardly view the fact with understanding or even diplomatic coolness. Let us say flatly that neither friendliness nor even political scrupulosity was displayed in this incident.

And here is the question: Have the Warsaw city authorities, as well as the numerous journalists, news photographers, cameramen, and newspaper editors or television executives, realized that the day of 17 November became, in fact, the day of their frank and overt encouragement of young people in new, including anti-Soviet, acts. Young people, you know, sense perfectly well, even if they do not understand: Words and deeds sometimes intentionally fail to coincide, so—it is necessary to be guided, not by the words, but by the deeds of their elders. Their elders dared to "knock down" Dzerzhinskiy, so the children may boldly go even farther....

Not even a week had passed when a crowd of school pupils and students in Nowa Huta, near Krakow, set out to desecrate the V.I. Lenin Monument. Attacks on the monument proceeded even after a meeting with the young people by one of the ministers and one of the deputies of the Polish Congress [Seym], who tried for a long time to persuade the unruly youths to be reasonable! It has always been thought: Polish children are obedient—for them, their parents' opinion is the law. So, has a new teaching situation arisen? I do not know, and it is not important just now. Something else is important: Anti-Sovietism has really risen to a new level.

In telling you about all of these alarming incidents in Poland, I, of course, do not wish, and am even afraid, to exaggerate. Under no circumstances do I consider either the new Polish Government or the leaders of *Solidarnost* and the Polish Catholic Church among the elders who, intentionally or unintentionally, encourage children in political vandalism....

However, the incongruity of protestations "at the top" and those of some people "below" is alarming: So far these are like two parallel straight lines, and can in no way approach one another, much less come together. And, in my opinion, few real efforts are being openly made so far toward this approach to one another. Strengthened police cordons probably are capable of safeguarding monuments and commemorative obelisks from desecrations and burnings in the future, but the police will not dispel the rather dense haze of the elders and children's prejudices against everything Soviet....

Of course, the "unexplored areas" in history hinder palpable improvement in our relations—the Soviet-Polish conflicts of years long past and not so long past, which have not yet received precise evaluation. But do

not the anti-Soviet incidents that are becoming more frequent in Poland, create new "unexplored areas" which will be even harder to cover later?

One should not barge into someone else's house with advice, but I wish to remind you: about 2 years ago, when several flagrant anti-Soviet acts occurred in Poland, Academician Dmitriy Likhachev made an appeal to Polish intellectuals to unite the efforts of the two countries' scientists, cultural workers, and public figures for the sake of creating the most favorable climate in Poland and the Soviet Union for the two neighboring countries and peoples' cordial human interrelations. So, has the time perhaps come to turn this appeal into a common cause? The two countries' trade unions and many unofficial organizations, including youth organizations, might be combined with the intellectuals. Anti-Sovietism is our mutual ill. It would be mutually better for us to curb that ill by dispelling the prejudices and misapprehensions, the malicious myths and malevolent legends.

We do not need any new "unexplored areas"! We should investigate the old ones. We do not need hostility, especially at a time when the words about sincere friendship have a chance to be recast into an actual sincere friendship!

When this newspaper issue had been composed, we received a report from TASS. Late on Sunday evening, specialized teams of riggers dismantled the V.I. Lenin Monument in Nowa Huta's (Krakovskiy) Rayon. The statue was removed from its base in undamaged condition and hauled to the small town of (Vrublevitse) near Krakow, where the necessary restoration operations will be performed. Upon completion of these, the presidiums of the Krakow City People's Soviet and the Nowa Huta Rayon People's Soviet jointly will make a decision about locating the monument in a new place.

In its turn, the presidium of the Krakow People's Soviet's Commission on Culture and Art has approved a recommendation concerning abolition of the V.I. Lenin Museum in Krakow. The museum's main building will be transferred to the music academy, and a branch of the museum—the apartment in the house on Koroleva Yadviga [Queen Yadviga] Street where V.I. Lenin lived during his emigration years—will be transferred to the Krakow History Museum along with the exhibits.

Hungarian Experience With Price Reform Viewed

18120020 Moscow MOSCOW NEWS in English
No 46, 19-26 Nov 89 p 7

[Article by Vladimir Gurevich, Budapest-Moscow: "Prices in Hungary; Will the Forint Become a Convertible Currency?"]

[Text] It's odd seeing tinned sausage in a Budapest supermarket with labels that say in Russian: "Exported from Hungary". The tins haven't reached Soviet shops because of a high 600-million-rouble-fence—the USSR's

trade deficit with Hungary. When the price of our oil fell the USSR discovered it didn't have anything to sell to its trading partner. The Hungarian forint isn't the same as the US dollar, but you can't get it anyway. In fact, the only thing Soviet tourists have been doing in Budapest since August is sightseeing. They can't shop because the USSR Vneshekonombank (foreign economic bank) actually stopped exchanging roubles for forints since it doesn't have any of the latter. Should Hungarian economists' plans come true to make the forint a hard currency by 1992, Soviet tourists may have the same slim chances of procuring forints as they have always had of procuring British pounds, for example.

This is a problem that could have been easily dealt with back when all problems in this country were dealt with in an arbitrary way. That would have set moving money and commodity once again in a crazy manner rather than in line with economic laws. But those times are over. In order to trade you should have something to trade. In Hungary they would gladly buy our Lada automobiles, the same as we would. While they have sausage meat to spare, we export our Ladas thereby making our own lines longer.

Lines in Hungary do exist if you know where to look for them. There are as many as three lines. One forms in winter for bananas. The second is outside the Adidas chain store. About the third you can read in the window of the trading firm Merkur: "Pay your deposit today for your Lada-Samara to get it delivered to you in 1994" (that country of ten million people manufactures lots of excellent buses but not a single car, although 300,000 folks are on the waiting list for cars).

In terms of its well-stocked market, Hungary is ahead of the other Council for Mutual Economic Assistance (CMEA) countries. One proof is that Hungary is avoiding the "custom war" between these countries. The list of its restricted goods is much shorter. Even in the small town of Zahony where, this past spring, the number of Soviet shoppers greatly exceeded its population (this resulted from the easing of its border rules), they began to build more stores instead of imposing more restrictions. This reaction is evidence that Hungary's economy is capable of what ours can only dream about.

We can't close our eyes to that. Neither to the fact that, for so many years, the country's economic and political mechanism grew steadily inefficient, thus necessitating the need for today's serious changes. Radicalism and swift political changes—the multi-party system, the proclamation of a Hungarian Republic, the formation at the recent Congress of the Hungarian Socialist Workers' Party (HSWP) of the Hungarian Socialist Society—these have eclipsed all other developments. This is perhaps why people I talked to shortly before those events thought more often about politics than the economy. The economy, as it were, slowed down in anticipation of

some effective steps which many believed were unlikely until the time of the general elections whose date has not yet been set.

Jozsef Nyers, a one-time deputy head of the economic department of the HSWP Central Committee, said: "A struggle for power is on and this makes tough going for the economy. It's like when we say the pike and the fox are holding each other by the tail: the result is that neither can move. But the multi-party system formed so rapidly precisely because of the economic problems."

The three-year economic recovery programme adopted in 1987 has not accomplished much. There are no serious changes in the industrial structure, inefficient production is still a heavy burden on the budget, virtually ineffectual are the attempts to pay the foreign debt (it absorbs up to ten per cent of the national income) and to make our goods more competitive on the world market, inflation is on the up (it has reached 18 per cent this year). People here feel that having attained a certain level, their life is not growing any better or merrier. It is even growing worse because prices are ever more successfully competing with people's incomes. The government explains: our desires run ahead of our potentials, the rates of consumption would have to be restrained or even lowered. This policy has been followed anyway with a varied success (consumption this year would still be up one per cent).

The high cost of living affects everything. Asked what was cheap in Hungary, Sandor Nagy, General Secretary of the Central Council of Hungarian Trade Unions, smiled sadly: "Apples and some other foods. Food is generally costly here."

Despite this, I didn't see any calls to freeze the prices. Neither did I hear demands to stop inflation. Society knows very well that changing prices by issuing orders does not pay. Says Jozsef Lukacs, a Ministry of Finance official: "Inflation is little more than a high fever signalling a disease. You can smash up the thermometer but the disease won't go. To stop inflation? No problems: freeze the prices and raise subsidies. This is what they did for years. The Politburo used to tell how much inflation can be 'permitted'. When that level was set lower than the actual one, the budget deficit would shoot up together with the country's foreign debt."

In the given economic situation inflation is inevitable, it should be tolerated—is what I heard from everyone I spoke with. "No opposition party can offer any alternative," I heard from one veteran party functionary. As far as I can see, no alternatives are being offered. Here's what Marton Tardos, department head of the Institute of Economics of the Academy of Sciences and one of the leaders of the Union of Free Democrats, thinks: "For an opposition party it would be easiest to say it could do without inflation. But you can't do without it. I don't mean a double-digit inflation. Still nobody could keep the growth of prices down below ten per cent a year."

I do think Hungary has a consensus about the market. What I heard in the trade union headquarters from Sandor Nagy is perhaps significant: "We are definitely for market relations. There is no other sensible alternative, for otherwise the country can't revive. A revival is possible only in conditions of an economy with mixed types of ownership; there should be some leeway for private and foreign capital. State ownership should be converted into public ownership. Factories should be allowed to be owned by workers, city councils, etc., through the sale of shares. Some areas—like electric power—of course, should be owned by the state."

This principled union of opinion could not be reached at once. Society started to learn economics in 1968, when an economic reform was launched in Hungary. That year Jozsef Balint was put at the head of the economic department of the HSWP Central Committee. Briefly, here's what he said.

"The reform, in fact, started even earlier. Right after 1956. It first affected agriculture. No more orders were issued on the number of livestock to be raised or which crops and where should be grown. Purchase prices were raised, and most importantly, they started to sign contracts with farms instead of setting produce quotas to be delivered to the state. Hungary's grain and meat problem was over by the late 1960s, so that the main part of the reform proceeded in conditions of a more balanced market. This gave grounds to expect no eruptions of inflation. The government, however, didn't promise stable prices; on the contrary, it spread the idea that the economy cannot be so rigidly controlled. We rejected firm prices that were regarded as the sacred component of socialism. We said that prices should vary with supply and demand while we avoided calling them market prices." At this point Balint gave me an intense look. "So as not to annoy anyone," he said. "Prices are the heart of our reform. You in the Soviet Union have not touched them yet and for that reason are still on the approaches to your reform... It wasn't easy going for Hungary. There was a fairly bitter public reaction against the reform. A special source of irritation was the prices and the high wage earners were paid by private entrepreneurs and farming co-ops, and the disappearance of cheap goods. The share of unregulated prices in the overall volume of goods was at that time not higher than 20 per cent while nearly one hundred per cent of the population were dissatisfied. In the final analysis, Janos Kadar excluded the supply-demand principle from the price policy at the 10th Congress of the HSWP late in 1970. The pretext was that public opinion should be taken into account. It was decided that prices should be more rigidly controlled. Though no one loudly complained that this limited the reform, the area affected by market mechanisms shrunk."

That's history now. Today one might say, the course towards deregulating prices is a reality. Chairman of the Price Committee Ferenc Vischi, once a math teacher, tried to be very precise. The constantly dropping share of firm prices in retail trade is now 20 per cent. Only in a

few areas do such prices apply to nearly all sorts of goods (such as electric power supply). The only food Hungarians buy at prices below cost is milk. Public transit and water are also subsidized. Another 18 per cent of prices are state regulated: manufacturers are obliged to inform in good time about the way they are going to change their prices. In force is a law on "tactless economic practices": the Price Committee has the right to ban price rises during six months or bring suit in court if prices disagree with the quality of goods. The Committee did happen to lose some cases, like the one against the state tourist company IBUSZ. On the other hand, it won the action against the manufacturers of roofing materials and the manufacturers were made to pay fines and indemnities to their customers. But there the government's interference stops—the remaining 62 per cent of the prices have been given free play.

"We will continue to deregulate prices," Vischi said. "Our only objective is that where prices get free from our control, the market should take over and production should grow."

For administrative mind the whole situation in Hungary looks topsy-turvy: inflation is rising while prices are being deregulated. Such a mind rejects the idea that an economy, if liberated, becomes more efficient and builds a basis for controlling inflation. At the same time, a shackled economy can only "hide" inflation in shortages. But all this is not as simple as it sounds, of course.

Denes Reiz, a former director of a textile mill, helps his wife, a co-owner of a shop in Rakoczi Street in Budapest. They set their own prices of sweaters and other garments in their shop. "Nearly all our goods have to be sold at prices that existed seven years ago," he complains. "If not, who is going to visit our shop? You probably noticed how many similar shops there are next door!" This seems precisely what we in the Soviet Union want to achieve with our co-ops: a full market which can hold prices in check.

But what about food and everything else for that matter? As for us, we expect that if agriculture produces more we would be able to afford lower prices. Hungarians' output is at record levels, and yet prices keep growing. This is due to the growing prices of equipment, fertilizer and fuel. This outcome is far from what Hungarians would like to see.

What would they like to see? I didn't hear any fundamental alternative to the government recovery programme. Even member of the opposition Marton Tardos thinks: "The government's intentions should be assessed

positively. Still it shows an inability to take decisive action, to cut expenditures and the budget deficit. It is unable to counter the pressure for subsidies." Here's the view of Jozsef Lukacs of the Ministry of Finance: "There should be cuts in military expenditures, capital construction, public subsidies, but especially, subsidies to enterprises which account for the lion's share of the total 200 billion forints worth of subsidies. Everyone agrees there should be cuts, but everyone says: They shouldn't affect me. Most certainly, when the state slashes expenditures, the public incomes fall. But however unpleasant cuts may be, they should be made. The only question is how: gradually or at one go."

There is no one opinion on this score. Trade unions say they favour restructuring but you can't abandon those who are employed in production where no growth can be expected—these people can't be blamed. The burden of reform should be spread more evenly. Hungary has nearly 800,000 people who live below the poverty line (they earn less than 55 per cent of an average pay or 230 roubles a month according to the official exchange rate). At the same time, there are a lot of undeclared incomes that are fairly high. Whereas the official annual wage fund in Hungary stands at 400 billion forints, the total money earned "on the side" can be as large as one quarter of that sum. Some enterprises pay their employees six or seven thousand forints a month while others pay up to 85,000 (more than 4,500 roubles). The affluent are supposed to take a greater share of the burden than they take today, thinks Sandor Nagy. But would that benefit the economy if people lose the incentive to earn more? Yes, it's easy to go too far here. It takes managerial skills and fiscal professionalism.

Measures discussed nowadays include a harmonization of fixed incomes (primarily pensions) and prices. Harmonization to date applies only to those older than 70 who receive small pensions. But where can you get money, given a budget deficit? This year social insurance became separate from the state. A special fund now receives social security payments from enterprises, pension fees paid by workers themselves and money earned through the fund's commercial activities: issue of shares, bonds, investments in real estate. This means they will earn money instead of going cap in hand to the Ministry of Finance.

Given a rigidly controlled economy and empty shelves, no protective measures can accomplish anything. Hungary has at least partially mastered the workings of the market and achieved a relative abundance. When society is subjected to excessive pressures, the aforementioned measures can act as a sort of shock absorber and at least allow it a better chance.

Politicians Assess Situation in El Salvador

18120024A Moscow NEW TIMES in English
No 41, 10-16 Oct 89 pp 12-15

[Article by Elena Gorovaya]

[Text] A war everybody is tired of. Who is keeping the conflict alive? Is it a stalemate or a springboard towards peace? These issues are examined by two politicians—with NEW TIMES as the intermediary—whose points of view are in many respects directly opposite.

"A stalemate?" Elliott Abrams looked sceptical. "I don't believe this is the situation. It can be qualified in another way: as a military situation which cannot change because of the level of support the Farabundo Marti front is receiving from Cuba."

In the not so distant past, in the Reagan administration, Elliott Abrams was Assistant Secretary of State for Inter-American Affairs, and therefore well-versed in all the intricacies of the Central American crisis. Today he can permit himself to make unequivocal statements, which incidentally did not shock me particularly since I had expected something of that kind.

In the range of assessments of the situation in El Salvador, his could be said to belong to the right wing. And what is the opinion of the left wing? I asked a man, whose political credo I would sum up as follows: "new thinking does not do away with the class struggle," for an interview for NEW TIMES. Shafic Jorge Handal is the General Secretary of the CC of the Communist Party of El Salvador, one of the five members of the Supreme Command of the Farabundo Marti National Liberation Front (FMLN). "No," he said, "the situation cannot be described as a stalemate. That would presuppose a static state, the final word as in sports, when the results of a game are summed up. That is not true in our case."

Two politicians, extreme opposites, two irreconcilable ideological opponents. But in this case they agree and both reject a banal assessment.

Shafic Handal: "In our case the situation is not static. There was a time when the military situation developed not in our favour. But we were able to capture the initiative and achieve a balance of strength. And a military balance is not the same as stalemate. For us it was a very great strategic achievement. The enemy surpassed us greatly in resources and armaments, which flowed in ever bigger quantities from the United States. Nevertheless, in the second half of 1988 we were able to start upsetting the balance, which proved to be only a short phase in the war. It's true it lasted very long because of Washington's aid. And if we do not make any serious miscalculations I'm confident that we shall break the balance finally."

When? There is less optimism about the time. "We are not attempting to forecast when we shall win. Our opponents have very strong outside help. And the

United States has no intention of 'cutting off the oxygen supplies.' That has to be taken into account."

He who calls the tune

The views of the two extremes again meet on this issue: it is outside factors that keep the balance locked. Only from the left it is American aid that is seen as responsible for it, and from the right—Cuba's subversive activities (naturally not without Managua's assistance). However, even Elliott Abrams does not find it easy to assess the scale of the latter. He cites only two figures with confidence, which might reflect the "share of Soviet participation" in the Caribbean-Central American crisis: 5-7 thousand million dollars as aid to Cuba each year, up to 8 thousand million—to Cuba and Nicaragua taken together. Allegedly, part of this sum, in one form or another, finds its way to El Salvador.

"Whatever the new Soviet rhetoric Soviet support—and only Soviet support—enables the Cuban and Nicaraguan regimes to continue their involvement in subversion and their backing of guerrilla groups."

Abrams does not understand why the U.S.S.R., whose economic situation is far from flourishing, pays such bills. Especially with the new political thinking. "If the Soviet Union's foreign policy does not require a base for subversion in the Caribbean basin why paying a bill for it?" he wonders.

While Cuba's Salvadorian bills remain top secret, Washington's are invariably given in official statistics. But the estimate of foreign observers do not always tally with these statistics, to say nothing of the estimates made by the right and left wings. According to Abrams, U.S. aid to El Salvador does not exceed 500 million dollars a year. Out of this sum about 100 million goes to military aid and more than 300 million to the economy. Handal's figures are as follows: out of annual 700 million, 200 million is economic aid and 500 million—military aid. That is 40 per cent of Washington's overall allocations for all of Central America.

"Comrade Handal, where do you get your weapons from and of what make are they?"

"Mostly American (Soviet weapons are used by the Nicaraguan contras). Obtaining the weapons is not difficult. The two main ways are capturing them in battle or buying them on the black and "white" markets of a number of countries. In Honduras, Costa Rica and in the United States itself. In Tegucigalpa, for instance, you can buy anything—from Kalashnikov guns to ground-to-air missiles... Of course, we receive help from our friends. But even without it we could wage our struggle just as effectively—as long as it's necessary, of course."

If the U.S. pulls out

Shafic Handal: "That is an unrealistic, utopian prospect... If anything like that should happen, we would

need no more than a year to win a military victory. But in any case we would seek a political solution, negotiations."

I put that same question to the former architect of U.S. policy in Central America, E. Abrams, who felt that his successor was hardly likely to destroy the supporting walls of the edifice. Recalling the events in Guatemala at the turn of the eighties, when the government was able to deal telling blows to the guerrilla forces at the cost of much bloodshed, E. Abrams said: "If the United States cuts its aid and goes out, this could happen in El Salvador—a bloodshed. The Salvadorian government will go to the right. To get rid of the guerrillas with a bloodshed—this is a solution, although very costly... There would be a great cost in human lives."

And so, the U.S. presence acts as a damper on the barbaric instincts of the right-wing extremists, saving the country from unnecessary bloodshed. The multimillion allocations to the war are, presumably, prompted by this noble aim. If one follows Abrams' logic, perhaps then Cuba's "subversive activities" are not so harmful either, since they ensure a balance of strength and thereby bring nearer a political solution?

On one thing it is impossible not to agree with Abrams: that sentiments in favour of a "total" war have long been common in the army officers corps and among the extreme right of the ruling Nationalist Republican Alliance (ARENA). The irritation with the hopelessness of a low-intensity war is making itself felt. A total war would imply putting an end to the guerrilla movement by undermining its social basis, i.e., through wide-scale repression against the civilian population. Supporters of this line in the army are not numerous enough to tip the scales in their favour. And the stand of the FMLN in regard to plans for a bloodbath are sufficiently unequivocal to cool excessive passions. "Just touch one person and we shall have your head" was how Shafic Handal put it.

The FMLN after ten years of war

The confidence with which Handal looks to the future is, to judge from everything, not unfounded. At any rate even Abrams, despite his categorical words, does not deny the effectivity of the guerrilla struggle: "Whether the Salvadorian army is technically capable of routing the FMLN without U.S. aid—I don't know for sure... It's a difficult question."

"Technically" the position of the guerrillas looks promising. Here are just a few facts cited by Shafic Handal.

Compared with the beginning of the war the Front would today require not more than 10-20 per cent of its forces to inflict the same amount of damage. If in the past 80 guerrillas were required to attack a lorry with soldiers and escort (all in all 75 people) now only four undertake such an operation. The daily ratio of losses in the first years was 1:4 in favour of the FMLN, now it is 1:15-20. On average, the guerrillas put out of action 30 soldiers a

day. They have learnt to produce very effective weapons, which are irreplaceable in guerrilla warfare because of their lightness and mobility. They are self-made—from mines to missiles capable of bringing down low-flying helicopters—and are known in El Salvador as the "people's artillery." To that one should add the support for the FMLN from the civilian population at several levels—from the sympathizers to the so-called secret guerrillas and people's militia, which in effect are volunteer troops. They exist and operate despite the bitter struggle for the hearts and minds—one of the main links in the strategy of low-intensity conflicts...

Certain aspects of FMLN activities, it is true, are not so easy to explain away, such as the destruction of bridges and electricity transmission lines. "Their purpose," Handal said, "was to convince the authorities that the economy can be restored only in conditions of peace, i.e., to compel the government to get down to negotiations." But the means? It is the civilian population who suffer most.

The Front's actions against the alcaldes aimed at doing away with the present system of civilian administration were not very popular either. I asked Handal to explain the reasons for such tactics. "That was the first thing I was asked by representatives of the political parties at the meeting held a couple of months ago. The thing is that the real functions of the alcaldes in Salvadorian conditions go far beyond their constitutional powers, as is explained in detail in the secret manual of the General Staff. We have a copy of it. The alcaldes are engaged in keeping people who sympathize with us under surveillance, reporting and exposing them. They are not civilian bodies of power..." The eight alcaldes who were shot by the guerrillas, according to Handal, were guilty of the arrest and death of civilians. A number of others were warned. As a result the alcaldes of 152 municipal councils resigned. And there are only 263 such councils in the country.

It is hard to deny that this is a sign of direct or indirect FMLN control over "vacant" territories, in other words the existence in the country of a parallel structure of power. But Elliott Abrams is convinced that the days when the guerrillas controlled half the country have gone forever.

The military laugh last

It turned out that in itself the growth of FMLN might does not hold any political prospects. A dialogue is needed. As well as a desire for such a dialogue. Ever since 1981 the FMLN's peace proposals have called for a political solution through negotiations. Shafic Handal opened a thick file containing documents covering just the couple of months before the presidential elections which took place in March. The documents were amended many times so as to bring them closer to a compromise version. The Front has changed its position radically on two issues which were always regarded as the main obstacles to a political settlement: it agreed to take

part in the elections, an idea which it had rejected outright in the past, insisting that first a transitional coalition government be set up; and it abandoned the idea of keeping two armies in the country during the transitional period, saying it was ready to lay down arms should a political settlement be reached.

"I don't take seriously the FMLN proposals," Elliott Abrams told me. "Their only positive aspect is the fact that for the first time the guerrillas said: 'We might turn into politicians under certain circumstances.' It was in the text of the proposals."

Unlike Abrams who was sceptical, the leaders of Salvadorian political parties took the FMLN election proposals quite seriously. Nine days of stormy debates in the Hotel Presidencia in the capital, then direct talks of representatives of the eight parties with the representatives of the Front in the Mexican city of Oakstepec which ended in the signing of a very constructive document. The State Department representative Charles Redman, when he received the document forwarded by the Front, said it deserved careful consideration.

And the Salvadorian military received it with no irony at all. The Army Chief of Staff Ponce and the then Defence Minister Casanova refused point-blank to allow the leaders of the FMLN into the country for talks with the political parties and publicly threatened to stage a military takeover if the Front's proposals were accepted and the elections postponed until 15 September.

Why did the FMLN want a postponement of the elections? It wanted to have the time to ensure conditions for the free participation of all the country's political forces, deprive the army of its advantages and carry through a reform of the election law. "Don't forget that this is not Europe, but El Salvador, and the fact of participation in the elections does not make them lawful. Here elections have always been a farce," explained Shafic Handal when describing his discussions with the representatives of the political parties in Oakstepec. One of the representatives from the Christian Democratic Party which was then in power argued that the elections should be held as planned because of the military's threat.

"Is that the model of democracy for which you fought—any kind of elections, as long as the chances of a coup are averted?!" One could object that of the two evils the lesser one should be chosen. But I must admit that Handal's position on this matter seemed to me more convincing than that of his opponents.

Abrams takes a different view. He diplomatically avoided the question of the role of the army in El Salvador's political life, but without hesitation told me that the last elections were "free and democratic (and that when the results were announced only 48 hours later during which journalists tried without success to gain entrance into the locked doors of the polling stations, while observers from the Democratic Convergencia—the block of the three left-wing parties—had their lawful demand for a recount rejected).

As for the FMLN's proposals for a postponement of the elections and a reform of the electoral system, Abrams sees them as contradicting the constitution. But then it isn't clear why the Nicaraguan government is being demanded so insistently to change its election law. At any rate Abrams' peremptory statement that the Salvadorian regime is much more democratic than the Sandinist, failed to convince me of the justice of such a selective approach.

A model for solution

It can only be political despite the opposition of the military, Handal insisted. As for the model for the future of the country, it can be "democratic pluralism with the country being part of the world system of social, economic and political relationships... We never intended to monopolize power," he said.

"But are you ready to share it with all political forces, not only the left-wing ones?"

"We look at it differently—dividing them not into left- or right-wing, but whether they stand for a political solution or are against it. Hence the policy of alliances."

It is hard to imagine that the FMLN's peace initiatives, which for years had been ignored by the Christian Democrats will meet with understanding from the right-wing ARENA government. Handal said the Front would continue to pursue the same policy and putting forward new proposals all the time. But what sense is there in that, if they are all ignored? That could go on forever. "The sense lies in what our opponents are saying: the war could continue from another ten years... But I repeat, the balance of strength is not in their favour. And each 'no' will cost them dearer politically."

The balance of strength indeed does not seem to be in favour of those who want a military solution. ARENA is weak and torn by internal conflicts. It won the elections largely because the front boycotted them. Moreover, its international reputation was spoiled by its ties with the notorious Death Squads. And the real power in the country—the army—is also far from being monolithic: differences have deepened not only in the top echelons, but also in the officers corps, especially at the middle level. That is the situation on one side of the barricade.

On the other side of the barricade stands the FMLN in alliance with the increasingly weighty Democratic Convergencia and all the other opposition parties (except one that split away from the CDP last year). Although not very big, these parties are sufficiently influential since most of them are led by eminent representatives of the private sector. As for the CDP, which lost in the elections and fell apart into groupings, undermined by corruption and with a hopelessly eroded social basis—it so far stands apart and has not decided its future. But there are signs that it's drawing closer to the left wing of the opposition.

One thing is clear: the process of polarization of political forces that accelerated following the coming to power of ARENA favours the left wing. Judging from everything, fear of the extreme right wing and the prospect of a consolidation of the dictatorship will push the centre towards an alliance with the guerrillas, who can act as a counterweight. That in turn should bring a political solution nearer.

E. Abrams made this forecast: "I believe there can be a political solution. There is a possibility of a break between the FMLN and Convergencia leaders Ungo and Zamora, who want to participate in the parliamentary elections next year... These elections would be very interesting. I think the left wing would be much larger than this time!"

An interesting forecast, especially if one bears in mind that the FMLN has not said that it would boycott the 1990 elections. Moreover, in its January proposals it clearly indicated its intention to take part in the election process. In that case the left wing will indeed be wider. And much wider at that. But most probably not as a result of a break between the FMLN and the convergencia, as Abrams supposes, but because they will act together.

Of course, there is no question of complete unity in the left wing. Otherwise they would have taken a common stand during the presidential elections. But if the Convergencia took part in them, it does not mean that it has revised its policy of support for the armed struggle of the FMLN. On the contrary, its leaders are underlining in every way the effectivity of this struggle. And in one voice with the Front they deny the existence of any serious differences between them. Here is what Shafic Handal had to say on the subject:

"The FMLN and the Democratic convergencia remain firm allies. Speculations of a rift between them are unfounded. The different approaches to a number of problems only enrich us... The social basis of our alliance is widening, there is growing support from different political forces, and that, in turn, helps the entire opposition spectrum, irrespective of political and ideological principles, to find a common tongue... Today the FMLN not only has relations with 9 of the 11 legally existing political parties in the country, but their views on many issues coincide."

"Comrade Handal, if you took part in a coalition with the Convergencia in the presidential elections, could you count on success?"

"In honest elections—of course. That is why our January proposals were turned down."

"And if the elections took place now?"

"I don't doubt that we would emerge victorious."

Tela: the light at the end of the tunnel

Or the prospect of a second round in the duel of words? As far as the Central American mechanism for a political settlement in the region is concerned, the recent decision of the five presidents in the Honduran town of Tela bears out its effectiveness. But what were the decisions for the FMLN—a strategic defeat or a success? The leaders of the Front and the Democratic Convergencia in one voice say—success.

"The FMLN was recognized as a belligerent without the participation of which no political decision is possible. Thus, we have been placed on the same footing as the government, with both sides called on to start talks. For the first time the very name of our organization FMLN figures in the document of a Central American summit. In the past it was never mentioned," said Handal.

But President Alfredo Cristiani of El Salvador, to judge from his statements, was not prone to dramatize the situation. He maintained that in Tela Daniel Ortega had acknowledged that Nicaragua was helping the FMLN.

Handal: "But in the past too Ortega had not denied this at meetings of the Central American presidents. His position was clear: as long as you help the contras, we shall help the Salvadorian guerrillas."

Now the situation has changed: on 7 August the question of the contras was solved in favour of the Sandinistas. And Ortega signed the presidents' pledge "to stop all aid to armed groupings, except for humanitarian aid."

Stabbing the FMLN in the back? Handal denies this categorically. "The decisions adopted in Tela are an immense victory for the Sandinist revolution and will strengthen the processes of democratization throughout Central America. As for weapons, I repeat: we do not depend for them on Nicaragua, Cuba or any other country. There are many ways of acquiring them..."

The final document called on the Salvadorian government and the FMLN to start a dialogue for the purpose of coming to an agreement on the guerrillas ending their armed struggle and taking part in the democratic process. After which measures would be taken to demobilize the soldiers of the Front. A demand for their capitulation like the contras? If it were not for a very important detail—that the deadline for demobilization would be set after agreement had been reached. And that corresponds to the Front's own position on the mechanism of its inclusion in the country's political life: talks—agreement—and only then the disbandment of the guerrilla units.

Another point in the final documents adopted in Tela could be an obstacle: the call to the guerrillas that they immediately—before negotiations begin—stop all hostilities. That runs counter to the traditional stand of the FMLN: no preliminary conditions, the question of a cease-fire should be solved within the framework of the talks on an all-embracing political settlement. Is the

Front prepared for a new compromise? And has it the right to let slip the opportunity to demonstrate political courage and a desire to see peace restored in the war-torn country?

On his return from Tela, President Cristiani did say on national TV that he would not demand a cease-fire before a dialogue had been begun. (According to witnesses in Tela he had insisted on this stipulation under pressure from the military who were on the Salvadorian delegation.) The FMLN also made a step forward: it accepted the President's plan for two-stage talks, the first being outside the country. The military's reaction? "There is nothing to talk about," the new Defence Minister Humberto Larios told newsmen.

One probably shouldn't exaggerate the possibilities of the new President and the moderate wing of ARENA whom he represents. "Cristiani won the presidency, but he has not yet won power," commented Guillermo Ungo. "Now," added Ruben Zamora, "he will have to enter into negotiations with those who hold the real power in their hands—the military command." But to dictate to the military and keep them within the limits of parliamentarism is something yet unseen in El Salvador. Not for nothing did the threat of a military takeover loom again. Shafic Handal is not prone to laying it on thick, but neither is he inclined to rule out such a possibility.

"What awaits the country in that case?"

"An escalation of the conflict."

In September we witnessed the negotiations in Mexico between representatives of the FMLN and the Salvadorian government. No agreement was reached on national reconciliation. But it is already a good sign that the participants in the Mexican round agreed on monthly meetings in future.

Now we have to hope that the general tiredness caused by this endless war will not allow the first shoots of common sense to perish. The two sides will have to meet each other halfway. From the two wings to the centre. Let's keep our fingers crossed.

Cuba, Kirghizia Sign Mining Equipment Agreement

*18330022A Frunze SOVETIK KYRGYZSTAN
in Kirghiz, 11 Aug 89 p 2*

[KirTAG Report: "Mutual Relations Between Two Academies"]

[Text] Scholars of the Academy of Sciences of Kirghizia and the Cuban Academy of Sciences have agreed to cooperate under mutually useful conditions. Recently a group of specialists from the Impulse Scientific Engineering Center under the leadership of Academician O. D. Alimov returned from their trip to Cuba. While they were on the freedom isle, they signed a protocol on scientific-technical cooperation with regard to the building of mining machinery.

"I would say the basis was laid for the beginning of these mutual relations in November of last year when a group of Cuban specialists familiarized themselves with the work of our scientific-engineering center," said O. D. Alimov in a conversation with the KirTAG correspondent. "At this time our Cuban colleagues expressed an interest in acquiring hydraulic boring impulse machinery for mining and construction operations in Cuba. One of the machine building factories in Kuzbass is manufacturing similar machinery on an assembly line and Bulgarian machine builders are familiarizing themselves with it. During our visit to Cuba the agreement also had a concrete content. We intend to manufacture drilling aggregates, hydraulic hammers and other tools for use under Cuba's geological conditions. Computer complexes specializing in the rapid design of new mining technology are being established."

DPRK Unmoved by Bloc Changes, Hews to Party Line

90UI0279A Moscow KOMSOMOLSKAYA PRAVDA
in Russian, 17 Dec 89 p 3

[Correspondent A. Platkovskiy report: "All Quiet in Pyongyang"]

[Text] Until recently one had the impression that Pyongyang was remaining aloof from the restructuring processes unfolding in the socialist world. Life here was taking its course, and nothing gave a pointer to the dramatic peripeteias of the ouster of the Stalin-Brezhnev model and the inception of a renewed society occurring somewhere over there, beyond the horizon. The mass media maintained an eloquent silence in this connection.

Yet the winds of change are gathering strength, and their breath can be felt. A sensitive Pyongyang nerve was struck when Hungary took the "treacherous step". Budapest's establishment of diplomatic relations with Seoul was viewed in the DPRK unequivocally: "Betrayal of the interests of socialism for the sake of a paltry dollar handout." Hungary is not the only country prepared, in Pyongyang's opinion, to wobble on its principles. Is it possible in such a situation to remain in the position of silent observer?

At the end of June the party newspaper NODONG SINMUN set forth the official viewpoint on the internal political situation in Hungary. The country's leadership, which was held responsible for having connived at counterrevolutionary forces, the ideological and organizational demoralization of the party and a departure from socialism, was criticized in very harsh terms. An answer was given to the question of why this had occurred—a conspiracy of imperialism for the injection of capitalist poison, degeneration of the system and the extermination of the socialist countries one by one.

Publications which followed this angrily exposed the intrigues of the West. "At the present time," NODONG SINMUN wrote, "the imperialists, urging 'bourgeois pluralism' and a 'multiparty system,' are resorting to cunning, the intention being to weaken the party leadership in the socialist countries and create therein an atmosphere of anarchy and chaos. As far as 'political pluralism,' much vaunted by the imperialists, is concerned, this is only the sophistry of the bourgeoisie hoping to restore the reactionary class and reactionary ideas in the socialist society. And the vile plans to turn the socialist society in a nonproletarian society wherein hostile elements acquire political rights and liberties are being concealed in the guise of 'pluralist democracy'."

Aware of the extreme banefulness of such ideas, propaganda has demanded that the masses not relax their vigilance and rise to the defense.

At the very height of the recent dizzying events in East Europe Kim Chong-il, chief party theorist and ideologue, appealed for people "not to succumb to any unreliable

ideologies and tendencies" and "to believe only in their party and their leader." In an interview with Cuba's GRANMA he proclaimed the permanency of the political principles of the country's leadership and rebuffed the forces which are encroaching on them. The interview sounded like a kind of manifesto of the "Korean way in socialism". It was not fortuitous that this was the first appearance in the foreign press of the son of President Kim Il-song, his acknowledged successor as leader of the Korean people. The text of the interview was reprinted by all the central papers of the DPRK and prescribed for careful study in the localities. Here are some of the main points from this interview:

"The leader is the center of the cohesion of the party and its leadership. Ensuring unity of ideas and leadership ultimately means ensuring the ideological, spiritual and organizational cohesion of the party around the leader."

"Each party should strive for unity and cohesion on the basis of the guiding ideas of its party and under no circumstances permit the appearance of other ideas in its ranks. Unless a barrier is erected to alien ideas of various hues, the party could find itself ideologically demoralized and split."

"In our society the leader, the party and the masses constitute a single social and political organism" bound by a sense of revolutionary duty and comradeship. Our party persistently undertakes the education of party members and all working people, seeking to ensure that they preserve fidelity to the party and the leader, the homeland and the people and that, sharing forever one destiny, they live and struggle in the name of the triumph of the revolution, abiding by the communist principle of collectivism: "Each for all and all for one".

"A system of work has now been firmly established in our society whereby all party members under the leadership of the Central Committee act as one; in all spheres and subdivisions party committees, as the highest executive authority, direct all work in a uniform manner."

"The strengthening of people's power and the broadening of its functions afford an opportunity for combating enemies of the revolution creating obstacles to the building of socialism and communism and for vigorously accomplishing three revolutions: ideological, technical and cultural. And thus for organizing work on the communist transformation of society and the control of social relations."

"In order to build communism it is necessary, together with economic building, to work on man's reeducation and the transformation of society, giving precedence here to the business of man's reeducation."

At this time the country's press is reporting that a "model socialist society" has been built in the DPRK. Inspired by the slogan of the "dear leader" Kim Chong-il "All Living and Fighting Like Heroes!" the working masses are winning increasingly new dazzling victories.

A unique 10,000-ton forging press has been commissioned, the world's biggest stadium with seating for 150,000 has been built, the tallest hotel, of 105 stories, has been erected....

There is no doubt that country's present leadership is fully resolved to continue along the chosen path, vigilantly cutting short attempts to call it in question.

Japanese Northern Territories Question Debated

Free Economic Zones

18120032A Moscow NEW TIMES in English
No 49, 11 Dec 89 pp 18-19

[Article by Vitaly Gulii, People's Deputy of the USSR in Yuzhno-Sakhalinsk]

[Text] The question of the northern territories (Japan's claims to four Kuril Islands) has long been a stumbling block in improving relations between the USSR and Japan and signing a peace treaty. It is an abnormal situation that 44 years after the end of the World War II two close neighbours—the USSR and Japan—have not yet signed a peace treaty. All these years the sides didn't budge an inch from their positions on the issue of northern territories.

At first sight a status quo benefits our country, which continues to own these islands, and not Japan, which has not gained anything from its noisy propaganda campaigns for the return of the northern territories.

But to my mind, all the economic and military strategic benefits of possessing these islands are more than cancelled out by the huge losses we suffer due to the lack of normal good-neighbourly relations with Japan. These losses will increase in time.

As an inhabitant of Sakhalin, I believe that we have a vital interest in getting Japanese technology and securing Japanese partnership in developing the Far East.

The maintenance of military contingents on these remote islands is also a drain on resources, for no state can reduce its military presence on territories claimed by the neighbour.

The absolute majority of Japanese people are behind their government on this issue. The Japanese government has recently sought to internationalize the dispute. It is seeking—and getting—Western support. This is witnessed, for example, by the sympathy for the Japanese position expressed by Mr Matlock, U.S. Ambassador to the Soviet Union, at a press conference in Yuzhno-Sakhalinsk in August 1989. He cited the analogy of Okinawa which was, like these islands, "also occupied during the war," but was then returned by the United States to Japan.

Clearly, as Japan's economic and political clout in the world grows, public opinion in the world on the northern territories dispute will increasingly tend to support Japan.

As a result of our inflexibility on the question of northern territories—and the issue exists, whether we like it or not—Japan remains one of the few, perhaps the only state, in relations with whom there has been no real progress since 1985. And yet it is a key power in the Pacific Region where the centre of world economic and, consequently, political relations is increasingly shifting.

The paradox of the situation lies in the fact that both sides are arguing about the territories which, to my mind, are of neither economic nor strategic importance to either of them.

The USSR does not gain any real economic benefits from owning the Kurils, because their resources are not being developed or used on any significant scale. The only industry (a very small one) is the processing of fish and seafood. Other resources—sulphur, gold, titanium and magnetite sands, thermal waters, a huge tourist potential and salmon breeding—lie untapped and, considering the remoteness of these islands, the need for huge investments, the high cost of manpower and transportation, it is unlikely that the situation will change for the better before the end of the century. So far our stay in the Kurils has brought nothing but losses, especially if we take ecology into account.

To be sure, the Kurils are a positive factor for us in terms of defence. It is up to the military experts to analyze just how great their importance is in modern conditions. In my opinion, however, there is no doubt that on the whole it is far more important for the security of the USSR to eliminate the seat of tension in the area and achieve a peaceful settlement. I am sure that a treaty with Japan would be a much safer guarantee of our security than an air force regiment or an infantry division on Iturup or Kunashir.

The main consideration, both for the USSR and Japan, is prestige. The USSR cannot afford to give up sovereignty over the islands for fear of losing face as a great power. The principle is more important to us than the islands: a country cannot trade away its territory, allow its borders to be redrawn, yield to outside pressure, or revise post-World War II realities. That would set a dangerous precedent.

Ceding territory for which our soldiers shed blood would hurt the national pride of the people. It would not be understood and would cause an outrage.

National prestige apparently lies behind the position of the other side too. It is hard to imagine today that any Japanese government would renounce its claims to northern territories, as all the country's political parties, including the Communists, support these claims and believe Japan has suffered an injustice on the part of the Soviet Union.

Does it mean that a compromise cannot be found? Countries which do not want to go to war over disputed territories settle such issues at the negotiating table.

My suggestion is as follows: the islands are declared a demilitarized zone.

A joint Soviet-Japanese administration is formed, including perhaps, representatives of the U.N. or the International Court of Justice at The Hague. A Soviet-Japanese company with mixed capital is set up to develop the islands.

A free economic zone is proclaimed. The islands' inhabitants—both Soviet and Japanese—are given the right of free travel to the Soviet Union or Japan. Other aspects of life on the territories are also decided by an agreement.

I am making this proposal not on my own behalf. I have discussed it with the members of my constituency, have written about it in the local press and spoken on television. The majority support me.

Such an agreement would remove the obstacle in the way of a peace treaty.

It would set an example of resolving similar conflicts for other regions (say, the conflict over the Falklands).

We shall be able to withdraw our military contingents from there.

For Japan, this would remove the so-called "threat from the North," which it has used as a pretext to beef up its "self-defence forces" on Hokkaido.

There will be no loss of face for either the USSR or Japan. Public opinion will undoubtedly approve of the wise step of the two powers towards each other taken in the interests of peace and cooperation.

If the Japanese government turns down the compromise, the status quo will be preserved, but the world public opinion will probably react critically to Japan's refusal.

It would appear then that a Soviet diplomatic initiative in this direction would be useful anyway, it would be in keeping with our foreign policy and the new thinking.

History Given

18120032B Moscow NEW TIMES in English
No 49, 11 Dec 89 pp 19-20

[Article by Professor L. Valenkevich, Mordovia State University, named after Ogaryov; in Saransk]

[Text] Japan is demanding that the Soviet Union return the so-called northern territories, by which it means the Southern Kuril Islands. Let us not go into the legal aspect of these claims, as our press has written more than once about their illegitimacy. Japan has renounced these islands under the San Francisco Peace Treaty in 1951.

I would like instead to dwell on the moral and ethical sides of the problem. I mean the policy Japan has pursued with regard to our country since the beginning of this century. In 1904 Japan attacked Russia without declaring war. As a result of the war, Japan seized the Liaotung Peninsula, including Port Arthur, the southern section of the Chinese Eastern Railway, Southern Sakhalin, and gained the right of free fishing in Russian territorial waters.

In the spring of 1918, Japanese troops landed in Vladivostok and seized large parts of the Primorye (Maritime) area, the Amur and Trans-Baikal areas. They set up their garrisons from Vladivostok to Chita. Few people know that more than half of the invading foreign soldiers during the Russian civil war were Japanese. Japanese troops occupied the Soviet Far East for more than four years, until the end of 1922. All this time they exported raw materials, including construction timber. Under any pretext and more often without any, the Japanese launched punitive operations in which civilians died. They seized the hero of the civil war Sergei Lazo and his comrades and handed them over to the band of Semyonov who threw Sergei Lazo, son of the Moldavian people, and the comrades into the furnace of a locomotive.

In exchange for its withdrawal from the Soviet Far East, Japan demanded Northern Sakhalin and a whole range of other privileges, something that is barely mentioned today. Nothing is said today about the humiliating demands the Japanese presented to us at the Dairen conference in 1922.

There is no reason why we should keep silent about the so-called concessions, in particular, for export of timber and fishing in our territorial waters, which the Japanese had wrested from us. Why not point out how much timber and valuable fish was exported to Japan under these agreements? These concessions existed until August 9, 1945. Until that time Japan had the right to mine coal and oil in Northern Sakhalin.

After the occupation of Manchuria in 1931-33, the Japanese moved to the Soviet land borders, and Japanese papers again bristled with demands to extend Japanese territory to Lake Baikal and even to the Urals. Then followed military provocations on the Chinese Eastern Railway, which forced the USSR to sell the railway to the Japanese for a price that was merely symbolic. In 1938 there was an armed conflict near Lake Khasan, where the Japanese wanted to seize a strategically important part of Soviet territory. In 1939, the Japanese invaded the Mongolian People's Republic, engaging Soviet-Mongolian troops in fierce fighting near the Khalkhin-Gol River.

The situation on the Manchurian border was particularly tense during the war with Nazi Germany. The Japanese staged countless provocations. Because the Japanese could use an armed conflict on the border as a pretext to attack the Soviet Union, our border troops had been

ordered not to retaliate the fire on pain of being court-martialled. I think our people should be told how many Japanese provocations occurred on the border, say, from 1938 to 1943 (there were hundreds) and how many of our officers and men were killed in these incidents. Nor should we hesitate to publish the number of Soviet merchant ships the Japanese secretly sank in 1941-45 near the Kuril Islands, and the number of Soviet seamen who died as a result.

The majority of the population in this country are now fairly indifferent to the issue of handing over part of the Kurils to Japan. But if they were told what the Japanese policy really was, the attitude to the handing over of the Kurils would surely be negative. We must face the truth: although the interests of Japan and the USSR practically do not clash, among our neighbours, the Japanese are most hostile towards our social system, towards our religion. They will forever be among our foes. It is another matter that their opportunities on that score have been severely limited after World War II.

It is tempting, of course, to harness Japanese economic might to perestroika in our country. But is it a realistic proposition? If we give away the islands, they may (if our relations with the United States worsen) be used as "unsinkable aircraft carriers" against the USSR and as a base for American ballistic missiles on our doorstep.

First they will get Southern Kurils, and then they will demand Northern Kurils and Southern Sakhalin. We should know the mentality of the Japanese. They have an inflated sense of national identity, which shows in their arrogant attitude to the neighbouring peoples, including the Soviet people. When the other side shows a willingness for a compromise in negotiations with the Japanese, they see it as a sign of weakness. The more we concede, the more they will demand. Besides, we should remember that a whole number of states have territorial claims on us, so we should not set a precedent.

It may be that Soviet-Japanese cooperation will expand. But I think our economic interests will be better served at the moment if we turn our attention to South Korea, Singapore, Hong Kong and some other Asian countries.

Gorbachev's Visit

18120032C Moscow NEW TIMES in English
No 49, 11 Dec 89 p 20

[Article by A. Bogaturov, Cand. Sc. (History) in Moscow]

[Text] In 1991 the Soviet President will go to Tokyo on an official visit. Although the possibility of the visit has been mooted for several years now, the announcement came as an exciting and to some extent startling piece of news. Certain hopes are pinned on the visit. I have grave doubts as to whether tangible headway in normalizing relations with Japan can be made.

Let us face it, few Japanese are critical of the official stand on Soviet-Japanese relations. Part of the reason may be that the Japanese are indifferent to political issues that do not directly affect their lives. Also, there is the habit of loyalty to the powers that be, especially on such a little-known and complicated issue as Soviet-Japanese relations.

This need not deter us in our efforts to formulate a new progressive stand towards normalizing relations with Tokyo. At the very least it would give us a moral edge in the long drawn-out dispute. (The argument has been going on for almost thirty years, but the very existence of the problem over which the argument is has not been officially recognized by our side.)

One has to bear in mind that most countries of Eastern Asia, for all their fear of revived Japanese military power in the future, today see Japan as the weaker side compared to the militarily powerful USSR. As they see it, Japan was deprived of part of its territory. The fact that the Soviet Union stubbornly refuses to seriously consider Japanese demands tends to evoke sympathy for Tokyo in the developing countries.

For 70 years we have periodically repeated our grievances with regard to Japan: treacherous attack on Port Arthur, atrocities during the intervention, border provocations on the eve of World War II.... The role of the Japanese military in the murder of Sergei Lazo and thousands of other Soviet people is a historical fact. It cannot be erased from memories, nor should it be erased.

But it is important to bear in mind that prewar and postwar Japan is not the same thing. In fact, the difference is striking.

Today, Japan is the only country which has officially renounced the use of force in settling international disputes. Our press carries occasional reports about the dangerous increase of Japan's military potential, but today there can be no talk about a threat from Japan.

It is another question that the Soviet people have grounds to feel worried about the military might of the United States, which uses Japanese territory as its forward base. To this day Japan occupies an ambiguous position on the security of the Far Eastern areas of the USSR in the context of the demands "to return the Southern Kurils."

Normalization of Soviet-Japanese relations may be some way off, and there are no grounds for euphoria over the prospects of economic cooperation with Tokyo. But are we prepared to renounce the larger regional objective of taking part in economic cooperation in the Pacific? If not, then we should remember that much depends on Tokyo.

Many find it strange that Tokyo is using the language of ultimatums. But it would be ridiculous to attribute Japanese

policy to it being more anti-communist than other capitalist countries. Anti-communism is the dominant ideology in all non-socialist countries in the Asian Pacific Region, including the developing countries. Historically, anti-communism is fuelled more by anti-Chinese and anti-Vietnamese than anti-Soviet feelings. So, the Japanese ruling circles are no different from the rest.

Japan's anti-Soviet bias stems from the hostility towards Russia's military might in the Far East before the revolution. After World War II, the bitterness and stung national pride have been added to these feelings. The Soviet Union, for its part, unlike the United States, which had given no less grounds to Japanese hostility, failed to take timely, serious and persistent measures to neutralize such sentiments or to weaken them. This complicates the present situation.

Are territorial concessions an acceptable price for making Japan renounce its role as the main source of anti-Sovietism in the region? To what extent can the Soviet Union update its position? Will the Japanese government exhibit the necessary degree of awareness of the delicacy of the problem?

It is up to the politicians to propose variant solutions. Let public opinion approve the best of them.

Yakovlev Interviewed on Japanese Islands Issue

18120031A Moscow NEW TIMES in English
No 48, 4 Dec 89 pp 10-11

[Interview with Alexander Yakovlev, member of the Politbureau and Secretary of the CPSU Central Committee by Vladimir Ovsyannikov]

[Text] NEW TIMES: Comrade Yakovlev, how could you assess the results of your meetings in Japan? What are your impressions of the talks with Japanese government and political leaders and representatives of business circles?

Alexander Yakovlev: Naturally, impressions are different, because we discussed different topics with different people who thought differently. But in my opinion, there is one common denominator. On the whole, I have the impression that politicians and leading businessmen want improved Soviet-Japanese relations. As you know, they want such an improvement on certain terms, but they are prepared to talk business nonetheless.

It seems to me that it is probably correct to assume that the further development of economic ties with Japan is feasible, provided, of course, that the Soviet side displays business acumen, enterprise and acuity. By this I don't mean trade relations, which are satisfactory as they are. I mean economic relations, primarily the joint exploration of the Far East and Eastern Siberia.

NEW TIMES: The Soviet Union has suggested that the two sides constructively discuss a broad range of issues concerning bilateral relations, with the ultimate aim of

concluding a peace treaty. The Japanese side is making the signing of such a treaty conditional on the solution of the "territorial problems" displaying remarkable intransigence. How do you view the prospects for normalizing Soviet-Japanese relations? What did you mean when you spoke of "the third option," which evoked such a controversial and heated response from the Japanese press?

Alexander Yakovlev: The absence of a Soviet-Japanese peace treaty is certainly an anomaly, especially in our day. In fact, no one's going to unleash a war now, even if there's no peace treaty. But the situation certainly seems odd—45 years after the war ended the Soviet Union and Japan don't have a peace treaty. What's the matter? Which insurmountable obstacles are there? Japan believes the open "territorial question" is the main impediment. Japan claims the four of the Kuril Islands adjacent to the Japanese island of Hokkaido. They have logic of their own. As for the Soviet viewpoint, it is based on historical facts, legal precedents and the realities of the postwar period. The Japanese side stubbornly insists that the development of our relations should be conditional on this problem. We are offering a constructive dialogue on a broad range of issues aimed at the conclusion of a peace treaty.

During my meetings in Japan, I tried to convince my interlocutors that since the two antagonistic viewpoints can't be reconciled, we should adopt a third option—let's start a dialogue, which in the past four years has become the main method of engaging in serious political discussion in the world. On the basis of such a dialogue we have achieved great successes in Soviet-American relations and on the European continent. We have normalized our relations with China and trimmed down armaments, and further reductions in military potential are forthcoming. We are now witnessing international relations getting more democratic and humane. On the whole, it is difficult to find a region or sphere of activity where really tectonic shifts aren't taking place on the basis of dialogue, which is helping improve the world situation.

It would be useful if the Soviet Union and Japan were to embark on the course of broad constructive dialogue, bearing in mind that this dialogue must be based on the realities of today's world, which are as stubborn as life is. If we want to reach an objective, we must hold a comprehensive discussion of all the components of the problem. One can't climb a tree from the top—even children know that. I for one am convinced that if a dialogue were started without any preliminary conditions, prejudice, stereotypes, artificial mistrust or artificial politization of practical questions, then we could attain a high level of economic, political and cultural relations, a mutual humanistic discovery where even the most complex issues of mutual interest would look different.

NEW TIMES: It is widely believed in Japan that the Soviet Union is more pressed for Soviet-Japanese normalization than Japan, because it wants Japanese investments and the high technology necessary to revitalize

and modernize the national economy. That's why Japan shouldn't drop its territorial claims or agree to a compromise. On the other hand, territorial claims are being used to disguise Japanese reluctance to cooperate with the Soviet Union economically.

Alexander Yakovlev: I have heard speculation to the effect that the Soviet Union is more interested in improved relations with Japan. This opinion is similar to that of some American and even European businessmen, who are developing economic ties with the Soviet Union nevertheless, while the Japanese continue to display what I would call supracaution.

I believe such speculation is based on illusions rather than realities. Yes, we are interested in developing economic relations with Japan, but it would be unwise to think that we can't do without them when solving our problems.

We can. Even in the Far East and Eastern Siberia. Yes, there are many problems. Yes, the infrastructure there is underdeveloped. But both the Far East and Eastern Siberia have colossal potential for the development of the mining, raw-material and processing industries and other branches. These are vast and enormously wealthy regions.... Naturally, we could explore them more rapidly and efficiently in cooperation with foreign firms. Favourable opportunities are now being created there for foreign capital, trade cooperation and developing all forms of economic ties. Naturally, we can and will cooperate with firms from other countries but, honestly, without Japanese participation the exploration of these regions would seem unnatural. In my opinion, the Japanese themselves will soon be sorry for the opportunities they've missed.

History is known to develop unevenly, and there are no countries that are guaranteed success. We all know of instances when powerful prosperous empires have collapsed. We know about once wealthy states which are now just ordinary countries. I am not going to make any forecasts about Japan, but the fact remains that the country is keeping itself at the peak of economic progress through the toughest competition with other countries in the spheres of finance, trade and technology. The world is a difficult place to live in nowadays. I just can't understand how a sound modern capitalist can refuse so lucrative an offer as the one to participate in the exploration of vast regions of the Far East and Eastern Siberia.

NEW TIMES: Economic cooperation with Japan in exploring Siberia and the Far East could be mutually beneficial and fruitful. However, besides the "territorial problems," Japanese businessmen named other reasons for their passiveness: an underdeveloped infrastructure and the imperfect legislation on the participation of foreign capital in economic activities in the USSR. It seems that Japanese businessmen could be very attracted

by the establishment in the Far East of "special economic zones" with a definite and precise status. What steps in this direction do you think feasible in the foreseeable future?

Alexander Yakovlev: I believe that references to our underdeveloped infrastructure and imperfect legislation are nothing but lame excuses. We do have problems, of course. But these are the normal problems of any development, any exploitation of new territories. In principle, we know how to solve such problems, and they can be solved, provided there is mutual interest and determination.

It is possible to conclude an agreement with Japan on the mutual protection of investments. We have already done so with a number of countries. As for the infrastructure, as far as I understand it, when we speak of exploring a whole region, the appropriate transportation, industrial, cultural and catering facilities can be developed simultaneously with the actual exploration. Besides, joint ventures should be not necessarily established in the tundra, but in the cities already existing in the Far East. Moreover, we are seriously looking into the possibility of setting up a free economic zone in Nakhodka, and by the end of the year the feasibility studies may be completed. Can such a free zone be conceivable without the Japanese? It can, in fact. We can attract Singapore, Hong Kong, South Korea and other countries. But the same question arises again and again: how will the Japanese themselves interpret this isolationism? How will they respond to their government's negative decision? And what conclusions will other participants in Pacific cooperation draw?

NEW TIMES: One of the arguments used by the Japanese side to justify what can, to put it mildly, be called a "cautious" policy in relations with the USSR is the thesis about the "growth of the Soviet military might in the Far East." It has come to light that the latest White Paper on Defence contained estimates that were clearly exaggerated even if compared with United States or NATO data. Evidently, mistrust can be overcome only through more openness and dialogue on military-political problems in the region. In this connection, do you think it possible to start bilateral talks on the balance of forces in the region, different ways of exchanging information about the level of armaments, and the invitation of inspectors or observers?

Alexander Yakovlev: We are familiar with the speculation as to the growing Soviet threat. If our pullout from Mongolia, the talks with China on reducing armed forces and armaments in the border area, the proposal to limit Soviet and U.S. naval activities in the Pacific can be regarded as a military threat, then I don't know what reducing the military threat means. Obviously, such speculation is a smoke screen for Japan's plans to develop its armed forces and armaments on the basis of five-year plans. If so, then all this doesn't seem correct. In general, actually, Japan isn't blazing a trail in this field. All Western propaganda for more armaments, new

military blocs, new weapon systems has been based on assertions about the Soviet military threat ever since the end of the war.

Speaking of the Soviet threat in this region, I remember one publication that appeared in the U.S. journal NATIONAL DEFENCE. It was an article by former military intelligence officers William Kennedy and Michael de Gyurky, entitled "An Alternative Strategy for the 1980s." It contained detailed plans for invading Siberia from bases in Alaska, Japan, South Korea and the Philippines. According to the U.S. plan, the war begins with a nuclear attack on Soviet targets. The authors of the article wrote: "The power of a 'first strike' is evident from the results of our use of nuclear weapons against Japan.... No amount of rhetoric can change the fact that the first use of nuclear weapons offers the possibility of paralyzing if not obliterating an opponent, while 'mutual suicide' remains, and hopefully, will remain an unproven assumption." The authors confirmed that some elements of this strategy had already become operational: remember the deployment of U.S. fighter-bombers at the Misawa Base in Japan and the presence of U.S. aircraft-carrier task forces and warships with SLCMs aboard in the Pacific. The vast and sparsely populated expanses of Siberia, the authors contend, with the Soviet Union's largest deposits of natural resources, suggest the employment of tactical nuclear weapons. It is worth noting that the plan includes the employment of Japanese combat units stationed on Hokkaido.

In the light of these plans, the published data and historic experience, I believe, we must take an attentive look at who actually is speculating about the growing military threat from the Soviet Union, and how such speculation is interpreted. Who benefits from it?

Anyhow, if the Japanese public is being increasingly convinced of a growing Soviet threat, we could arrange a bilateral seminar or special dialogue or select any other form to elucidate the real situation with armaments in the region. We could exchange inspections, observers or reliable information on the basis of reciprocity. This must be done in public and televised so that it becomes clear who is who.

NEW TIMES: It is planned that Mikhail Gorbachev will visit Japan in 1991. Your visit is widely interpreted in Japan as one of the most serious steps to prepare for the Soviet leader's visit. How would you characterize the results of your visit from this point of view?

Alexander Yakovlev: Indeed, during my visit no meeting took place at which the Japanese side didn't voice its satisfaction with Gorbachev's planned visit to Japan in 1991. That's what our meetings started with. We were asked which topics would be discussed when Gorbachev would arrive, what goals would be set. Regardless of how the question is discussed—and it is discussed in an exclusively positive context—it is now clear that this visit is awaited and favoured in Japan. It is regarded as meeting the interests of most Japanese. Moreover, it is

believed that the Soviet leader's visit will impart a new quality to Soviet-Japanese relations.

NEW TIMES: Thank you.

Japan's LDP Mortgages Tokyo Office for Campaign Funds

90U10223A Moscow KRASNAYA ZVEZDA in Russian
16 Dec 89 First Edition p 5

[Article by V. Kirillov: "Using Trishkin's System"]

[Text] No, Trishkin's system has not sunk into oblivion. This is the procedure by which the owner of a caftan with holes in the elbows used the cuffs to patch the holes and then cut off the hem to make a new pair of cuffs. This is what I thought of when I heard the news from Tokyo that the ruling party in Japan, the Liberal Democratic Party (LDP), had decided to mortgage its headquarters in the center of the capital.

Why did the LDP leadership have to take such an extraordinary step? The fact is that a special general parliamentary election will be held in Japan next February. The campaign fund of the conservatives, which was once filled with "political contributions" from private capital, is comparatively empty. The reason is the huge scandal connected with the involvement of the Liberal Democratic upper echelon in the manipulations of the Rikuto Company and the defeat the LDP suffered in this summer's elections to the upper house of parliament.

Of course, this had an adverse effect on the attitudes of the industrial groups which have traditionally supported the Liberal Democrats. The flow of finances has dwindled perceptibly, but the LDP needs them more now than ever before. After all, according to the latest MAIN-ICHI public opinion poll, only around 30 percent of the voters plan to cast their ballots for conservatives in the coming election. The LDP leadership asked the nine largest banks in Japan for an emergency loan. They agreed to extend credit in the amount of 15 billion yen to the Liberal Democrats but said it would have to be secured by collateral. This is when the LDP leadership announced the decision to mortgage its headquarters in Tokyo.

Commenting on this decision, the Japanese press wondered what the LDP would pawn next if it suddenly had to redeem the headquarters, especially in view of the fact that the party's stock is still falling in the country because of its contradictory domestic and foreign policy.

Therefore, what we see here is a classic example of the Trishkin system! As I.A. Krylov wrote in his fable, "When some gentlemen make a mess of their affairs, they correct them, and the next time you see them, they are gadding about in Trishkin's caftan."

Japanese Poachers Caught Inside 200-Mile USSR Economic Zone

90UI0223B Moscow KRASNAYA ZVEZDA in Russian
10 Dec 89 First Edition p 4

[Article by Capt 1st Rank V. Shirokov: "The 'Komandor' on Patrol"]

[Text] The patrol boats in the Sea of Japan, the fishing patrol vessels of the Main Administration for the Protection and Reproduction of Fish Reserves and the Regulation of Fishing, have recently had much more work to do, and the reason is the heightened activity of Japanese poachers, who often fish in the USSR's 200-mile economic zone. Recently the border patrol ship commanded by Capt 3d Rank Ya. Adamson protected the marine resources of our country with distinction. The border patrol ship took some poachers by surprise, and in their haste they had no time to get rid of their illegal catch.

The illegal fishing expedition will be an extremely expensive pursuit for the Japanese poachers. The captain of their schooner will have to pay a substantial fine—the equivalent of 50,000 rubles in foreign currency.

It is true that border guards would not be impressed by this figure. After all, in just a single run the ship inspected 22 schooners, 5 of which will have to pay fines. One of the unlucky ones, for example, was the captain of Kore-Maru-103, Shindo Minoshito Tomiyo, on whose schooner a secret cache was uncovered.

The border patrol ship has become a genuine threat to the poachers because of its high speed, maneuverability, and quick action. The USSR Ministry of the Fish Industry clearly does not have enough of these high-speed vessels. The first "Komandor" patrol ship built in Denmark arrived in Vladivostok, its port of registry, just a few days ago. In all, four of them have been ordered by the ministry. Another patrol vessel—"Shkiper Gek"—will soon be patrolling the Far Eastern coastline, and the Danes have almost finished building a third, the "Herluf Bidstrup."

The debut of the "Komandor" will instill confidence in the work of the fishing patrol vessels. After all, its speed is also impressive—19 knots. Besides this, vessels of this class have helicopter pads.

We hope that the work of border guards will be easier and that poachers will be less eager to take what does not belong to them.

Access to Japanese Ex-POW Grave Sites Urged

18120022 Moscow NEW TIMES in English
No 41, 10-16 Oct 89 p 22

[Article by Alexei Kirichenko]

[Text] Konstantin Isakov raised a touching yet thorny problem in NEW TIMES issue No. 39 for this year under

the heading "Deleted from the list." To see that such dire consequences of WWII as the problem of POWs, of men reported missing, of Soviet citizens forcibly driven into slavery are now viewed in the F.R.G. in a humanitarian light is thoughtful and considerate, as on the whole it also influences relations between our two states.

In this connection I feel I must reveal the anxiety entertained in respect of one more aftermath of the war, one still unknown to most Soviet people. I mean the lot of those POWs, of those former Japanese officers and men, whom the Red Army captured in 1945, for the most part in Manchuria and Korea.

A total of some 600,000 were taken prisoner and for years they laboured in camps. After diplomatic relations were restored with Japan in 1956 most of them repatriated; however, some 60,000 died and are buried in the Soviet Union.

To date relatives are allowed to visit 24 graveyards. As regards other places of interment this is not allowed as, according to the Soviet official version, they are "unknown." However, on the basis of material published in Japan—that includes a plethora of books and reminiscences of Japanese ex-POWs put out since the end of the war—special maps have been drawn up that chart places of interment and list the names of the men buried there.

For long we ignored the problem, as if nonexistent. However, in Japan it is most sharply felt to this day and I personally think it of greater importance than the "Northern territories," as it touches upon the interests of very many people, especially if one bears in mind the very special Japanese reverence for their ancestors. However, that does not concern captivity which Samurai tradition views as ignominy. Emperor Hirohito and Marshal Stalin cared nothing for the lot of their men.

Practice has shown that a simple understanding of, and respect for the sentiments of the Japanese, a readiness to listen to what they have to say, and an effort to put Japanese burials in order will favourably affect public opinion in Japan, which is of no mean importance generally for a better bilateral relationship.

Japan has several associations of ex-POWs, many of whose members, though of diverse conviction and social standing, sincerely wish to have a friendly relationship with the U.S.S.R. and do all they can to champion peace against war.

Thus, Dr Rokuro Saito, president of the Japanese association of ex-POWs, which has a membership of more than 80,000, is doing much useful work to strengthen friendship between our two nations. He has suggested a bilateral symposium in this connection and I think it would make a useful contribution to better confidence and understanding between us.

Cambodia's Reform Efforts, Political Stability Examined*90U10160A Moscow AGITATOR in Russian No 20, Oct 89 pp 49-51*

[Interview with Khmau Savutkh, assistant editor-in-chief of Cambodian journal NEAK KHUSSANA, conducted by AGITATOR associate Yu. Knyazev: "Cambodia On the Path of Reform"]

[Text] Recently some journalists from the Cambodian journal NEAK KHUSSANA ("Propagandist"), our sister publication, visited the Soviet Union. They were the assistant editor-in-chief of this journal, Khmau Savutkh, and the associate-in-charge, Chi Kymkhut. They exhibited great interest in the processes of perestroika taking place in our country. This was a strictly practical interest, since today in Cambodia great changes are also taking place both in the political processes and in the social sphere, and of course, also in economics. AGITATOR associate Yu. Knyazev held an interview with Khmau SAVUTKH about present-day Cambodia.

[Knyazev] Tell us a little bit about the history of the country and its people.

[Savutkh] The history of Cambodia dates back many centuries. In the middle ages on the ancient land of Angkor, one of the most interesting civilizations of world history was created. And today, tourists from many countries want to come to Cambodia to see with their own eyes the "eighth wonder of the world"—the complex of ancient shrines of Angkorvat-Angkorkhom-Bayon.

The distinguishing traits of the national psychology of the Cambodians have traditionally been kindness and honesty, courage and integrity. The moral principles of the Khmer nation are deeply rooted in the philosophy of Buddhism, which was recently once again proclaimed as the state religion of the country. As you know, fate has dealt our people severe trials and tribulations. We survived the barbarously cruel regime of genocide of the Pol Pot clique. His band viciously destroyed and tortured over 3 million innocent Cambodian citizens. All the socio-economic structures were destroyed to their very foundations.

[Knyazev] How does the present appear now?

[Savutkh] After the historic Day of Liberation, 7 January 1979, we had to start building our new life from the very beginning. At first we had nothing but our bare hands and the fervent desire to resurrect our homeland. In the 10 years which have passed since that time, the Cambodian people have almost fully restored the economy and the social sphere. The significant results which have been achieved instill in us the sense of hope and assurance for the future. However, not everything is going smoothly. Parallel with the restoration of a normal life, the Cambodian people must expend great effort so as not to allow restoration of the regime of genocide and unleashing of

new terror. I would particularly like to stress that our achievements are closely tied with the unselfish aid and support given to us by the Soviet Union, Vietnam, and other fraternal socialist countries.

[Knyazev] What is the socio-political course of the country?

[Savutkh] The 5th Congress of the Cambodian People's Revolutionary Party defined four basic directions for the development of the economy—production of food, primarily rice, natural rubber, lumber and fish products. Thanks to the considerable efforts of the peasants and all the people, we were able to restore and expand agricultural crops, and to begin the gradual introduction of current intensive methods of rice growing into production. In some places, the number of crops harvested in one year has increased. I will present two figures for comparison: In 1979 the rice harvest comprised 565,000 tons, while in 1988 it exceeded 2.7 million tons, i.e., it increased by 5 times! Starting in 1980, the threat of hunger was fully eliminated.

Definite achievements have been attained in other spheres as well. The area of usable rubber plantations has been restored to 41,400 hectares. In the pre-war period it comprised 50,000. As compared with 1980, however, the utilized area of rubber tree plantings has increased by 8.2 times.

Each year, the production of technical cultures is increasing. A tendency has been noted for specialization of certain regions of the country in the production of kapok, tobacco, pepper and other cultures. The herd size of cattle is also increasing. At the present time its numbers comprise already $\frac{3}{4}$ of the pre-war level (prior to 1970).

In the sphere of industrial production 69 of the 79 industrial enterprises of central subordination existing in the country have been restored and are operational. We are not only restoring and reconstructing old enterprises, but also building new ones whenever possible. Thus, for example, within the framework of economic cooperation with the USSR, we have built diesel power stations in Phnom Phen, Camphong Saom, Battam Bang, Camphong Tyam, and Siem Reap. We are gradually improving the system of economic management. The country's foreign economic ties are gaining strength and developing. Despite the acute shortage which is being felt in terms of power, raw goods and materials, a skilled work force, equipment and spare parts, at a number of industrial enterprises production has been placed in fairly good order, and excellent results have been achieved at some. Small-scale production is also making a sizeable contribution to the saturation of the national market with goods and services.

[Knyazev] Is the political situation in the country stable?

[Savutkh] The real situation in Cambodia at present is such that, as we say, "there is peace as well as war in the country". This means that despite the absence of direct

military actions, we still cannot fully guarantee safety and stability over the entire territory of the country. After all, the enemies of the Cambodian revolution have not rejected their criminal plots. Therefore, the task of defending the homeland and the nation at the present moment has taken on first-priority importance. At the same time, our party and government, giving constant attention to the resolution of questions of strengthening the defense capacity of the country, combine this activity with the necessary measures in the sphere of economics. As the old Khmer proverb goes, "without water you will not grow rice, without rice you will not go to war".

In fact, the level of economic development ultimately defines the level of development of all society. Therefore, the party and the government strive to use all forms of productive forces which Cambodia has at its disposal to see that the real economic structure corresponds more fully to the level of development of society and the current position and needs of the people. We are faced with the task of turning an as yet weakly developed and primarily natural economy of Cambodia into a dynamic goods economy, actively involved in the international division of labor, where economic methods of management are used and continuous development is ensured.

[Knyazev] In many of the developing countries the economy is multi-ordered. What is the line followed by the state in working out the country's economic strategy, and how is this strategy expressed?

[Savutkh] At the present time in Cambodia there are the state, mixed state-private, collective, family and private economic orders. Their application in economic construction makes it possible to more quickly saturate the national market with goods which are in everyday demand.

The government of the state of Cambodia creates the necessary conditions for the free development of all economic orders without exception, and for attracting foreign investments to the country, primarily those belonging to Khmer emigrants. The application of foreign capital in various forms is viewed by our leadership as one of the important factors in the development of the national economy.

We are implementing reform of the economic structure and the structure of the forms of ownership. The purpose of this reform is stability and integration, and organic combination of different economic orders. The economy must be primarily commodity oriented and must satisfy the needs of society to a significant degree through the market. In this case, we will give particular attention to the development of the state sector, which is called upon to serve as the heart, the nucleus of our economy.

Recently, new forms of economic activity have emerged in our country in the collective and private sectors of the economy. They are in effect everywhere in agriculture, industry, handicraft production, and the sphere of services. Thus, for example, together with private and

foreign capital we are developing the sphere of foreign tourism, which includes the building and reconstruction of hotels.

[Knyazev] And what difficulties must be overcome at the present time?

[Savutkh] They are determined by many objective and subjective reasons, and specifically—the slow realization of the party's new economic policy, and the inadequate level of knowledge of many of the cadre workers. Despite the difficulties, our party and our government are filled with decisiveness to achieve the necessary results in economic development. Here considerable attention will be given to such an important question as the development of all-encompassing legislation regulating the sphere of economic life.

In short, the creative changes in the party's political line with consideration for the new domestic and foreign conditions concern practically all spheres of social life and make it possible to further strengthen the position of the party and the government within the country as well as in the international arena.

In our opinion, the changes in the sphere of economics and social life of society, as well as the development of ideological work, will be successful only when we begin relying on the reform of the political system. Here it is quite understandable that politics, economics and ideology are irrevocably tied together and form an integral system. Also important is the theoretical conclusion that the Cambodian revolution at the present time finds itself at the public national-democratic stage. This new conclusion demands that we review the former policy and introduce the appropriate changes into the effective legislation. This legislation still does not fully answer the specific conditions of the country at the public national-democratic stage of social transformation. Moreover, such a specific peculiarity of Cambodia as the policy of national conciliation also presents its demands.

For the purpose of strengthening the corresponding changes in policy, an extraordinary session of the National Assembly was held at the end of April 1989, where the decision was made to change state policy on an entire series of questions, the constitution, and effective legislation.

[Knyazev] Where did this find expression? Did this have any effect on the name and symbolics of the state?

[Savutkh] These decisions heralded a new stage in the development of the Cambodian revolution and gave this process a new quality and greater effectiveness. Thus, for example, Article I of the constitution states that our country is officially called the State of Cambodia, and is an independent, sovereign, territorially whole—peaceful, democratic, neutral and non-aligned. The newly adopted name differs from the former one—"People's Republic of Kampuchea"—by its greater neutrality. The change in the name of the country was just

one more example of the good will of our leadership and its sincere desire toward national conciliation.

Our party and government utilize any possibility to achieve peace and national accord. The problem of Cambodia is subdivided into two questions: First of all, the withdrawal of the limited contingent of Vietnamese volunteers from Cambodia, and secondly, the adoption of necessary measures so as not to allow restoration of the regime of genocide and to prevent a civil war after the withdrawal of the Vietnamese troops.

We may recall that fraternal Vietnam was the country which saved us from the horrors of Pol Pot's regime of genocide. Therefore, we have the right to expect from the international conference on Cambodia held in Paris, where all the interested Khmer parties and a number of states are participating, that this conference will be able to work out an effective international mechanism of control to prevent the restoration of the regime of genocide.

As we know, the final withdrawal of the Vietnamese volunteers was completed in September of 1989. This withdrawal was supervised by a high-level competent international commission, and broad strata of the international society were informed on the results of its work. Obviously, the activity of this commission should not go beyond the framework of the achieved agreement and legality.

Thus, after the withdrawal of a limited contingent of Vietnamese volunteers, there is only one key problem left to solve: To provide a guarantee that will not permit the restoration of a regime of genocide in Cambodia. This problem may be solved only on the basis of broad assistance and support on the part of the world community in combination with the specific efforts of the Cambodian people.

[Knyazev] What, then, is the real position of the various parties on the question of regulating the Cambodian problem today?

[Savutkh] In the course of preceding negotiations and unofficial meetings, we reached a consensus to the effect that the withdrawal of Vietnamese troops must be accompanied by the cessation of all military aid to all the opposing sides. Such an agreement was reached, and it must be maintained by everyone. If someone does not intend to do this, then that means that this party in fact strives not toward regulation of the Cambodian problem by peaceful means, but toward the unleashing of civil war and restoration of the regime of genocide.

In the tense situation we do not lose hope that the world community will not remain indifferent to our woes, which stem from the atrocities of the regime of genocide, and will not open its arms to the clique of the Pol Pot followers. This inhuman regime must be decisively condemned by all people of good will who understand their responsibility to the future. All peoples and states must

do this, and primarily those who over 40 years ago signed the international UN convention on the responsibility for genocide.

The people's-revolutionary party of Cambodia has always remained true to the ideas of Marxism-Leninism and will remain true to them in the future as to one of its founding principles. Our party has been and remains the leading force in Cambodian society. It is true to the principles of Leninism, the most scientific, the most ethical revolutionary teaching. In our activity we rely on a thorough analysis of the relation of our forces and the forces of the enemy within the country as well as in the international arena, and on this basis we are making the appropriate decisions on implementing the policy of national conciliation. Even if this policy of national conciliation does not end in rapid success, then nevertheless the National-Revolutionary Party of Cambodia is a political force which no one can overlook. Our party and government will in any case find a fitting solution to the Cambodian problem.

In conclusion I would like to note that the Cambodian people have always felt a sense of deep gratitude toward all the fraternal parties and peoples, and particularly toward the CPSU and the Soviet people, who have given such inestimable support to our people in their righteous struggle and in building a new life. Under any circumstances, the Cambodian people will inviolably strengthen and promote traditional Cambodian-Soviet friendship, solidarity and cooperation.

COPYRIGHT: Izdatelstvo TsK KPSS, "Pravda", "Agitator", 1989

Commentary on UN Resolution on Cambodia

90UI0160B Moscow TRUD in Russian 26 Nov 89 p 3

[Article by Yevgeniy Shulyukin: "To Prevent New Genocide"]

[Text] The situation in and around Cambodia is once again attracting the attention of the international community. Armed opposition, whose support bases are located in Thailand, is stubbornly trying to undermine the search for compromise and conciliation within the country.

The situation surrounding Cambodia cannot help but be influenced by the position of the world community. We remember well how 10 years ago the Western press reported with horror about the genocide of the "Khmer Rouge" who killed many hundreds of thousands of their citizens and cast the country into the gloomy middle ages. At that time the people rose up against the barbarism of the Pol Pot followers, and with the fraternal aid of Vietnamese volunteers drove the murderers and pillagers out of the country.

Yet why is it that specifically the "Khmer Rouge", who had received the condemnation of all progressive mankind, still represent the Cambodian people in the UN?

The discussion which recently took place in the UN regarding the situation in Cambodia showed that there still remains a prejudicial attitude toward this problem within the walls of this influential organization.

The resolution adopted by the UN ignores the fact that the Cambodian people have already made their choice more than 10 years ago, that from that time on the people's power had grown notably stronger and reliably controls the situation in the country today. In their commentaries, international observers note that the content of the UN resolution is essentially reduced to the support of the "Khmer Rouge", who intend to regain power by means of armed force.

Nevertheless, we cannot overlook the fact that certain changes in Western evaluations have become evident. Already in the course of discussion of the problem in the UN, many delegates expressed their concern over the danger of recurrence of genocide in Cambodia. This, specifically, was noted by the representative from France who spoke in the name of the 12 countries of the European Economic Community. Sweden's permanent representative to the UN announced that his country abstained from voting, since it cannot agree to any future role in Cambodia for the "Khmer Rouge".

The resolution denies the fact of withdrawal of Vietnamese volunteers from Cambodian territory, although, as the representatives of the world press and community concluded, the Vietnamese side has fulfilled its obligation within the designated time. This has created favorable conditions for a dialogue between the opposing sides. Yet it is specifically the opposition forces which are now demonstrating their aggressiveness and receiving military aid in ever-increasing volume.

The NEW YORK TIMES recently published an article by the director and chief administrator of the American Federation of Scientists, Jeremy Stone, who accused the United States of waging a secret war against Cambodia. The USA, writes the scientist, is continuing to use its financial and intelligence capabilities for weakening the government headed by Khun Sen, which "represents the only force capable of preventing seizure of power by the Pol Pot followers".

We cannot reconcile ourselves with the fact that the Pol Pot followers still sit in the UN, which could use all of its authority to achieve a political solution to the Cambodian problem.

Changes in Tunisia Compared to Soviet Democratization Efforts

90U10158A Moscow SOVETSKAYA KULTURA in Russian 14 Nov 89 p 7

[Article by Gennadiy Gerasimov: "Universality of Democratization"]

[Text] Guess the country where: The party has resolved to "bring to life those decisive changes which the events of 7 November have brought".

Among these changes is the "establishment of democracy and consolidation of the legal state".

Among the methods of achieving this goal is "conscious labor" and "raising the upcoming generation in the spirit of love for labor".

It is also necessary to increase production, improve quality and pay particular attention to the development of agriculture.

All the citizens must realize the seriousness of the situation.

If you have not yet guessed what country we are talking about, if you thought it was about the GDR or about us—that means that there is an element of universality in the events taking place in Tunisia, a certain common denominator for many countries.

The quotes presented above are from the founding documents of the ruling party, the Democratic Constitutional Association: the "National Pact" and the "General Resolution". The date of 7 November is considered a landmark because on that day 2 years ago the "constitutional change" took place in Tunisia. The elderly president stepped down. He had great achievements in the past, but in his declining years had brought the country into a dead end of stagnation... Once again there are parallels...

The Tunisian government decided to celebrate the second anniversary of its "change" by organizing an international symposium on the topic of "Democratic Changes in the World Today". Representatives from 24 countries participated.

The false contraposition of democracy to socialism was absent at this symposium. In Greek, democracy means the rule of the people, and is a form of organization of society which is not necessarily tied with ideology. Capitalist countries may be undemocratic, just as, unfortunately, socialist countries, as well as developing countries. However, if they prove to be undemocratic, they must pay on moral and economic accounts.

Of course, democracy is not a panacea in itself. It must be learned. For its successful functioning it presupposes political stability. This fact was noted in the speech given by the former prime minister of Italy and secretary general of the Italian Socialist Party, B. Kraxi. It also presupposes a certain degree of national agreement, as

noted in the speech of Tunesian Professor S. Shaaban. Democracy demands political culture of the citizens.

That is what they said in Tunisia, but I was thinking about our own country...

Commentary on Soviet Film Documentary of Pakistan

90U10158B Moscow KRASNAYA ZVEZDA in Russian 23 Nov 89 First Edition p 3

[Article by Captain S. Sidorov: "'The Holy War' and Its Cost"]

[Text] Central Television aired the premiere of the documentary film, "Pakistan: The Price of the 'Holy War'" (author V. Ilyashenko, producer D. Serebryakov). The film has undoubtedly become a notable event in Soviet television documentary production. In essence, it is the first effort to tell on the screen about our southern neighbor—a complex and extremely contradictory country which has found itself in the epicenter of a dangerous international conflict directly affecting USSR state interests.

Among the film's other achievements, the main thing that is notable is its publicistic nature, its successful combination of clarity and analysis. We see Pakistan as if through the prism of the Afghan conflict. It seems that specifically this approach is capable of explaining much of what is going on within this Islamic country today. At the same time, the film exposes the basic internal causes facilitating the continuation of the war in neighboring Afghanistan.

The civil war in this country, which is being fanned by Pakistan, threatens to grow into a full-scale Afghan-Pakistan war, still one more bloody regional conflict. There are already numerous cases of direct participation by the Pakistani military in combat operations against the Afghan army.

The price of the "holy war", which the former Pakistani leadership has placed on the shoulders of its people, is exorbitantly high. It is the problem of Afghan refugees, who have sharply exacerbated many of Pakistan's social problems, as well as the spread of a huge mass of weapons throughout the country, which have become the cause of the uncontrollable growth of the crime rate. With the start of the war, Pakistan became the world's largest producer and supplier of heroin, with the raw material for its production coming from Afghanistan.

Why is it that, in implementing the current "Afghan course", Pakistan is going in a clearly opposite direction from its national interests? Do they realize in Islamabad that this policy is fraught with unpredictable consequences primarily for Pakistan itself? We believe that there are forces within the current Pakistani leadership who understand this. But what are the limits of influence of these forces?

Despite the fact that a civilian is the head of the government, the real power in the country still belongs to Army circles. Despite the efforts of Prime Minister Bhutto to oust the Army chiefs from the positions which they hold in controlling the country, the army, in essence, is continuing the political course of the former dictator Zia-ul-Haq, who was considered the "godfather" of the Afghan armed opposition.

However, regardless of the disposition of forces in Islamabad, one thing is clear: It is Washington which dictates the Afghan policy to Pakistan. This is its main condition for giving military aid to Pakistan. Consequently, the key to solving the Afghan problem, as the film's authors stress, lies not with the Pakistanis, but with the USA. However, this is an extensive topic for a separate discussion, and perhaps a future television documentary film.

Status of AzSSR-Iran Economic Ties

90UI0063 Baku BAKINSKIY RABOCHIY in Russian,
4 Oct 89 p 3

[Excerpts from article by historical sciences doctoral candidate T. Agaev: "New Horizons of Cooperation: Our Neighbor to the South"]

[Text] Economic cooperation between the USSR and Iran enjoys longstanding traditions. With the technical assistance of the Soviet Union such major industrial enterprises as the Isfagan Metals Plant, a machine-building plant in Araq, a fish-processing plant in Reshta, elevators, building construction combines, and numerous other important objects for the Iranian economy have been built.

Today these traditions are undergoing dynamic development. The eleventh session of the Permanent Commission on Economic Cooperation Between the USSR and Iran met in Moscow in December 1988. In the course of the session a wide range of issues in Soviet-Iranian economic, technical, trade, and transport cooperation was discussed.

Agreement was reached on resuming the supply to the USSR of Iranian natural gas, on cooperation in the creation of the Hodaferin and Gyz Galasa water plants on the frontier Arax River, on expanding the Isfagan Metals Plant and bringing it up to 1.9 million tons of steel per year, as well as two areas of Soviet technical assistance, the Isfagan and Ahvaz power plants.

Moreover, in accordance with the resolutions of the eleventh session of the permanent commission and other Soviet-Iranian documents, priorities were established for Soviet-Iranian cooperation covering the fields of geological mineral exploration, agriculture, light industry, construction and building materials, fisheries, satellite communications, ecology, water practices in the Caspian Sea and frontier rivers, and the exchange of scientific-technical information.

Agreement was reached on establishing a joint Soviet-Iranian Baku-Enzeli-Noushkhah shipping line on the Caspian. In 1988 the volume of Iranian transit cargo shipped across the territory of the USSR by rail, motor, and sea totaled about 2.5 million tons.

Trade between our countries is expanding. In 1988 commodity circulation between the USSR and Iran totaled 196.2 million rubles, 119.2 million in export and 77 million in imports (in 1987: 159.9 million in exports; 49.5 million in imports).

In recent years Soviet exports to Iran have been dominated by diesel fuel, cars, and equipment, as well as raw materials. From Iran the Soviet Union imports oil, lead-zinc concentrates, agricultural products (dried fruits, nuts, henna, and others), and mass consumer goods (knitwear, shoes, laundry detergent, and so on).

In accordance with the program signed in February of this year, there is to be cooperation between the two countries in the fields of science and education, health care, culture, book publishing, book exchange, book fairs, cinematography, radio and television, sports and tourism, the press, and information.

Within the framework of Soviet-Iranian agreement, steps have been taken recently toward developing mutually beneficial cooperation between our republic and Iran. On 24 July, the Baku-Enzeli shipping line was inaugurated with the shipment from Baku of freight in transit from Europe. Recently Azerbaidzhan oil workers have started doing exploratory work in the southern areas of the Caspian.

Since 1968 the AzSSR has been conducting border trade with Iran, the volume of which, depending on the status of relations between our countries, has varied, dropping to zero after the start of the Iran-Iraq war.

At the present time prospects for improving our trade links have improved. In June in Baku there was a delegation from the Iran-Soviet chamber of commerce, which was made up of the directors of seven firms. During their stay in the AzSSR our guests held discussions on broadening trade links, on the possibility of creating joint enterprises, and on an exchange of advanced technologies. The exhibit held in Baku this fall of Iranian export goods, in which about 100 firms participated, was one result of the agreements reached.

The expansion of cooperation in other areas as well—culture, health care, education, scientific-technical links, ecology, tourism, sports, and the humanitarian sphere—responds to the mutual interests of our peoples. After all, Azerbaidzhan possesses diverse, longstanding ties with Iran. The destinies of our peoples have often been intertwined in a single historical knot. We are linked by similar cultures, traditions, customs, and ethnic kinship. Many Azerbaidzhanis have relatives in various parts of Iran. Over the centuries there have been no obstacles to our peoples mixing. Only after the Pahlevi dynasty came

to power in Iran and Stalin's authoritarian regime was established in the Soviet Union did our borders become sealed.

Iran, which, as the saying goes, was but a stone's throw away, became for us the other end of the world. All contacts with it were cut. People lost not only the opportunity to travel back and forth, but given the total suspicion and terror born of the mass repressions, they were afraid to correspond with their relatives. Many, probably, recall the ominous question on the cadre questionnaire: Do you have any relatives abroad? which we had to fill out on every occasion and which each time forced us to "forget" our relatives on the other side of the Arax. No one wanted to be categorized as "unreliable."

The proclamation by official propaganda of Soviet Azerbaidzhan as an "outpost of socialism in the East," "an example for the oppressed peoples of the East," could not help but provoke suspicion and undermine confidence in us among neighboring countries, which feared the "export" of socialism.

Fortunately, we have stopped perceiving reality in black and white and have started to free ourselves of obsessions about our basic mission. Finally, we have understood that in our interdependent and interconnected world the most humane mission of civilized states is the desire for peace and cooperation. The unifying principle for everyone has to be common human values, the recognition of each nation's freedom to choose its own path of development, respect for sovereignty and national traditions, and strict observance of the principle of noninterference in one another's internal affairs.

By following these principles, which are a component part of the new political thinking, the AzSSR can make a substantial contribution to the further expansion and strengthening of Soviet-Iranian cooperation.

The new content that has been given to our republic's sovereignty, the fundamental reforms being carried out in our economy, are opening up broad opportunities for establishing, along with participation in Soviet-Iranian cooperation within the framework of intergovernmental agreements, direct economic, scientific-technical, and cultural ties with Iran.

Shevardnadze 'Commends' RSA Stance on Namibia

18120025 Moscow NEW TIMES in English
No 48, 28 Nov-4 Dec 89 pp 5-7

[Interview with Soviet Foreign Minister Eduard Shevardnadze: "On the Way to Freedom"]

[Text] [Question] Comrade Shevardnadze, could you comment on the developments in Namibia?

[Answer] With pleasure. I even feel I should be speaking about them. It seems to me that in our daily anxieties we often overlook the magnitude of events.

What has happened in Namibia? A new state has emerged, a whole nation has been liberated. Such things don't happen every day. This is a great occasion for mankind. A large new country is entering the world family of nations. It is highly symbolic that at the transitional stage to freedom the Namibians are being assisted by a numerous contingent of U.N. observers. Even if the U.N. hadn't done anything at all during its history except to liberate Namibia, its existence would have been justified. We are pleased with the high level of political activity of the Namibian people: over 90 per cent of the country's population took part in the elections.

The very fact of really democratic and fair elections is of paramount importance.

The people of Namibia have exercised their right to a free choice, and made that choice when they voted for the South West Africa People's Organization—the long-standing leader of the liberation struggle.

While today congratulating the people of Namibia and its vanguard, the SWAPO, and giving their due to the efforts of the U.N., the Organization of African Unity and the "frontline" states, we must also commend the stance taken by South Africa. It must have been difficult for South Africa, but it has taken this first and most important step, which opens up prospects for South Africa's return to the world community of nations.

I think it is in order for us to express our gratitude to the U.N. personnel and peace-keepers now working in Namibia to guarantee its freedom and independence.

[Question] For the past two decades Namibia has de jure been under U.N. administration. How would you assess the U.N.'s role in the decolonization of Namibia?

[Answer] The efforts to decolonize Namibia are directly linked with the United Nations. In 1966 the U.N. abolished the mandate to rule Namibia issued by the League of Nations to South Africa and assumed responsibility for Namibia until it won independence. However, South Africa's stubborn resistance blocked the efforts of the world community for a long time. South

Africa refused to honour U.N. Security Council Resolution 435, which provided the groundwork of the Namibia decolonization plan.

The talks between Angola, Cuba and South Africa, with the assistance of the Soviet Union and the United States, were aimed at overcoming the deadlock and making more room for U.N. involvement. The U.N. Security Council must be specially commended—after the New York accords were concluded in December last year, it acted resolutely and efficiently.

The contribution of the U.N. Secretary-General Perez de Cuellar and his envoy in Namibia Martti Ahtisaari merits special mention. Their activities help facilitate the progress in Namibia.

The large-scale action by the U.N. has demonstrated once again the great potential of the organization and its tremendous peacemaking capabilities.

[Question] How did the Soviet Union participate in the decolonization of Namibia?

[Answer] The Soviet Union was directly involved in the implementation of the U.N. plan for Namibia. The contingent of U.N. observers includes 32 Soviet representatives. Aeroflot carried U.N. military and civilian personnel and goods to Namibia. Namibian refugees were airlifted to the capital of Namibia, Windhoek, by Soviet planes.

Our participation in the decolonization of Namibia has always been multifaceted. As a permanent member of the U.N. Security Council, the Soviet Union was involved in all U.N. decisions concerning Namibia. Last year we took part in the talks between Angola, Cuba and South Africa mediated by the United States. These talks opened up the way for the implementation of the U.N. plan for Namibia, which started on April 1, 1989. Our representatives, together with U.S. experts, are participating in the work of the Joint Commission on South Western Africa (JCSWA), which includes Angola, Cuba and South Africa. The commission renders valuable assistance to the United Nations in its peace-keeping efforts. I must say that we are pleased with the level of cooperation between JCSWA members. This mechanism has helped overcome difficulties and find compromise decisions quickly and efficiently.

Bilateral Soviet-American diplomatic contacts also facilitated the difficult search for ways to a settlement. Experts from the Soviet Foreign Ministry and the U.S. Department of State had regular working sessions.

Another aspect. It should be recalled that from the outset of the liberation struggle, the Soviet Union has rendered moral and political support, as well as material assistance to the people of Namibia.

Thousands of Namibians have been trained in different vocations in the Soviet Union and in the countries bordering on Namibia with Soviet assistance. This training, I am sure, will be useful for them.

I would also note that a Soviet diplomatic communication group has been working in Namibia since April this year. After the independence of Namibia has been officially proclaimed, we're prepared to establish diplomatic relations and full-blooded friendly contacts with the newly independent member of the international community. Naturally, this will be a qualitatively new stage in Namibia's history, when our relations will be based on interstate principles.

[Question] The south of Africa is witnessing considerable shifts towards political settlement. How do you think the Namibian settlement may influence this process?

[Answer] Today the south of Africa is at a crucial turning point in its history. The prerequisites are appearing to end military confrontation and turn to a political settlement in Angola and to normalization in Mozambique. All these are indications of the fact that new political thinking is starting to spread in this region of the world, and that national priorities and approaches to the problem of regional security are being reappraised.

The emergence of sovereign and democratic Namibia and the establishment of peace and stability there could substantially normalize the situation in the south of Africa. It would be naive to think that further progress will be plain sailing. Much remains to be done. Conflicts can be settled only if there are the necessary political conditions outside these countries. Much will depend on the behavior of the South African government, its preparedness firmly to renounce the policy of aggression and intervention in the internal affairs of neighbouring states as a means of securing national interests. The United Nations Organization, permanent members of the U.N. Security Council, including the Soviet Union and the United States, could play an important role in achieving further settlements in the south of Africa. To do so, their efforts must be geared to a common objective—to facilitate settlement, and not try to alter the choice already made by the people of this or that country, or foist on them one's own ideas of life-styles and administration at home.

The peacemaking efforts of the world community in this direction must not be weakened. The success in Namibia is only the first, albeit a very important step.

[Question] Could the Namibian settlement positively influence the situation in South Africa?

[Answer] The decolonization of Namibia has always been discussed in the context of the problem of apartheid. The system of apartheid in South Africa is the root cause of conflicts in the south of Africa. Unless this system is dismantled, conflicts in the region will continue. But there is also an inverse dependence. Undoubtedly, people in South Africa are carefully watching the developments in Namibia and seeking answers to the questions that will determine the future of peace in their country. Hopefully, all South Africans—blacks and whites alike—will be able to feel equally free and safe in a really democratic state based on the principle of a racism-free society.

[Question] How do you see the significance of the Namibian settlement in the broad international context?

[Answer] It demonstrates that even the most complex problems can be solved politically. We have seen once again that the world community and the United Nations Organization are able to take persistent, resolute and concerted action to protect and provide for the rights of peoples.

Just as the INF Treaty is the herald of a nuclear-free world, the first—painful but real—shifts towards settling regional conflicts are a confirmation that there can be a world without fratricidal wars, the world we are striving for when we make common human values the top priority of our policy.

The Geneva Accords on Afghanistan, the cessation of hostilities in the Iran-Iraq war, the settlement in Namibia are real achievements of the new political thinking and a powerful incentive to seek ways to achieve peace and stability in other regions. These are steps towards a world without wars or armed conflicts.

[Interviewer] Thank you.

END OF

FICHE

DATE FILMED

1 March 1990